

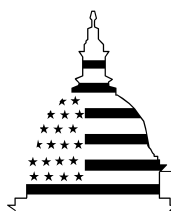
GAO

Report to the Chairman, Subcommittee
on National Security, Emerging Threats,
and International Relations, Committee
on Government Reform, House of
Representatives

November 2003

MILITARY PAY

Army National Guard Personnel Mobilized to Active Duty Experienced Significant Pay Problems



G A O

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Highlights of [GAO-04-89](#), a report to the Chairman, Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform, House of Representatives

Why GAO Did This Study

In light of the recent mobilizations associated with the war on terrorism and homeland security, GAO was asked to determine if controls used to pay mobilized Army Guard personnel provided assurance that such pays were accurate and timely. GAO's audit used a case study approach to focus on controls over three key areas: processes, people (human capital), and systems.

What GAO Recommends

GAO makes a series of recommendations directed at immediate actions needed to address weaknesses in the processes, human capital, and systems currently relied on to provide active duty pay and allowances to mobilized Army Guard soldiers. In addition, GAO recommends action, as part of the Department of Defense's (DOD) longer-term system improvement initiatives, to ensure that reengineering efforts include the process, human capital, and systems issues identified in this report.

DOD concurred with GAO's recommendations and described actions recently completed, underway, and planned to correct the noted deficiencies.

www.gao.gov/cgi-bin/getrpt?GAO-04-89.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory D. Kutz at (202) 512-9505 or Kutzg@gao.gov.

MILITARY PAY

Army National Guard Personnel Mobilized to Active Duty Experienced Significant Pay Problems

What GAO Found

The existing processes and controls used to provide pay and allowances to mobilized Army Guard personnel are so cumbersome and complex that neither DOD nor, more importantly, the mobilized Army Guard soldiers could be reasonably assured of timely and accurate payroll payments. Weaknesses in these processes and controls resulted in over- and underpayments and late active duty payments and, in some cases, largely erroneous debt assessments to mobilized Army Guard personnel. The end result of these pay problems is to severely constrain DOD's ability to provide active duty pay to these personnel, many of whom were risking their lives in combat in Iraq and Afghanistan. In addition, these pay problems have had a profound financial impact on individual soldiers and their families. For example, many soldiers and their families were required to spend considerable time, sometimes while the soldiers were deployed in remote, combat environments overseas, seeking corrections to active duty pays and allowances.

Pay Problems at Six Case Study Locations

Army Guard unit	Soldiers with pay problems			Comments
	Mobilization	Deployment	Demobilization	
Colorado Special Forces	56 of 62	61 of 62	53 of 62	34 soldiers were erroneously assessed debts averaging \$48,000 each
Virginia Special Forces	31 of 65	63 of 65	60 of 65	Injured soldiers denied active duty pay and medical benefits when orders not processed
West Virginia Special Forces	36 of 94	84 of 94	66 of 94	Sergeant came under enemy fire during 4-day trip to deliver pay records to correct errors
California Military Police	48 of 51	41 of 51	0 of 51	Majority of soldiers experienced delays in starting active duty pays
Maryland Military Police	75 of 90	64 of 90	3 of 90	Pays for 13 soldiers continued for 6 weeks after early release from active duty
Mississippi Military Police	21 of 119	93 of 119	90 of 119	88 soldiers mistakenly paid for two types of hardship duty pay

Source: GAO analysis.

The pay process, involving potentially hundreds of DOD, Army, and Army Guard organizations and thousands of personnel, was not well understood or consistently applied with respect to determining (1) the actions required to make timely, accurate pays to mobilized soldiers, and (2) the organization responsible for taking the required actions. With respect to human capital, we found weaknesses including (1) insufficient resources allocated to pay processing, (2) inadequate training related to existing policies and procedures, and (3) poor customer service. Several systems issues were also a significant factor impeding accurate and timely payroll payments to mobilized Army Guard soldiers, including (1) non-integrated systems, (2) limitations in system processing capabilities, and (3) ineffective system edits.

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United States General Accounting Office
Washington, D.C. 20548

November 13, 2003

The Honorable Christopher Shays
Chairman, Subcommittee on National Security,
Emerging Threats, and International Relations
Committee on Government Reform
House of Representatives

Dear Mr. Chairman:

In response to the September 11, 2001, terrorist attacks, the Army National Guard (Army Guard) mobilized and deployed soldiers in support of Operations Noble Eagle and Enduring Freedom. When mobilized for up to 2 years at a time, these Army Guard soldiers performed search and destroy missions against Taliban and al Qaeda members throughout Asia and Africa; fought on the front lines in Afghanistan and Iraq; guarded al Qaeda prisoners held at Guantanamo Bay, Cuba; provided security at the Pentagon; and are now assisting in peace-keeping operations in Iraq.

In 1993, we reported¹ on millions of dollars of overpayments and other problems associated with payroll payments to Army military personnel during 1992 as soldiers returned from Operations Desert Shield and Desert Storm. A significant factor contributing to the improper payments discovered as part of that audit was the large number of Army Guard personnel mobilized to active duty and paid from the Army's active duty payroll system. Because many of the current missions, particularly those associated with the global war on terrorism, are expected to persist, Army Guard personnel are likely to continue to experience additional mobilizations. Given the critical roles these mobilized Army Guard soldiers play in carrying out vital military missions both in the United States and overseas, effective internal controls are needed not only to provide timely and accurate pay to these soldiers, but also to prevent any such problems from adversely affecting the Army's ability to retain these valuable personnel.

In light of the recent mobilizations and growing importance of the Army Guard in fighting the war on terrorism and providing domestic security, you asked us to determine if controls used to pay mobilized Army Guard

¹U.S. General Accounting Office, *Financial Management: Defense's System for Army Military Payroll Is Unreliable*, GAO/AIMD-93-32 (Washington, D.C.: Sept. 30, 1993).

personnel using the Army's reserve pay system provided reasonable assurance that such payments were accurate and timely.

Because our preliminary assessment determined that current operations used to pay mobilized Army Guard soldiers relied extensively on error-prone manual transactions entry into multiple, nonintegrated systems, we did not statistically test current processes and controls. Instead, we used a case study approach to provide more detailed perspective on the nature of pay deficiencies in the three key areas of processes, people (human capital), and systems. Specifically, we gathered available data and analyzed the pay experiences of Army Guard special forces and military police units mobilized to active duty in support of Operations Noble Eagle and Enduring Freedom during the period from October 2001 through March 2003. (See apps. I-VI for detailed summaries of our six case study units.) Finally, you asked us to identify any evidence that pay problems were continuing with Army Guard personnel in more recently mobilized units deployed to support missions in Iraq. We conducted a limited review of the initial mobilization and deployment pay records of one unit currently participating in that operation.

We performed our work from November 2002 through September 2003 in accordance with generally accepted government auditing standards. Further details on our scope and methodology are included in appendix VII. We requested comments on a draft of this report from the Secretary of Defense or his designee. We received written comments from the Under Secretary of Defense (Comptroller), which are reprinted in appendix VIII.

Results in Brief

The existing processes and controls used to provide basic and special active duty pays to mobilized Army Guard personnel are so cumbersome and complex that the Army; the Defense Finance and Accounting Service (DFAS); and, most importantly, the mobilized Army Guard soldiers cannot be reasonably assured of timely and accurate payroll payments. Weaknesses in the current processes and controls resulted in a substantial number of over- and underpayments and late active duty payments² to mobilized Army Guard personnel at our case study units. For example, 450 of the 481 soldiers from our six case study units had at least one pay problem associated with their mobilization. These pay problems severely constrain the Army's and the Department of Defense's (DOD) ability to provide a most basic service to these personnel, many of whom were risking their lives in combat. In addition, resulting inaccurate, late, and, or missing pays, and associated erroneous debts also had a profound financial impact on individual soldiers and their families. Soldiers and their families were required to spend considerable time, sometimes while the soldiers were deployed in remote, combat environments overseas, continually addressing concerns over their pay and allowances.

One of the primary causes for these pay problems is rooted in the complex, cumbersome processes used to pay soldiers from their initial mobilization through active duty deployment to demobilization. While not designed as such, these pay operations have evolved over time to the point that few, if any, in the department fully understand their breadth, scope, and inherent weaknesses. Army Guard pay process requirements, particularly in light of the potentially hundreds of organizations and estimated thousands of personnel involved, were not well understood or consistently applied with

²As a result of the lack of supporting documents, we likely did not identify all of the pay problems related to the active duty mobilizations of our case study units. However, for the pay problems we identified, we defined over- and underpayments as those pays or allowances for mobilized Army Guard soldiers during the period from October 1, 2001, through March 31, 2003, that were in excess of (overpayment) or less than (underpayment) the entitled payment. We considered as late payments any active duty pays or allowances paid to the soldier over 30 days after the date on which the soldier was entitled to receive such pays or allowances. As such, these payments were those that, although late, addressed a previously unpaid entitlement. In addition, we used available data to identify about \$135,000 in collections against identified overpayments through March 31, 2003. We did not attempt to estimate payments received against identified underpayments. In addition, we did not include any erroneous debts associated with these payments as pay problems. We have provided documentation for the pay problems we identified to cognizant DOD officials for further research to determine whether additional amounts are owed to the government or the soldier.

respect to determining (1) the actions required to pay mobilized Army Guard soldiers timely and accurately, and (2) the components responsible, among Army Guard, active Army, and DFAS, for taking the required actions. Further, we found several instances in which existing regulations were out of date—some of which still reflected practices in place in 1991 during Operation Desert Storm. As a result, we found numerous errors in key pay transactions at our case study locations.

For example, procedures relating to amending active duty orders were problematic. For the Colorado Special Forces unit, we found that actions taken by the Army Guard military pay officials in an attempt to amend 34 soldiers' orders resulted in reversing the active duty pays and allowances the soldiers received for 11 of the 12 months they were deployed on active duty in Afghanistan. Instead, the system recorded these pays and allowances as debts. These 34 soldiers received notice on their Leave and Earnings Statements that they owed the government an average of \$48,000 per soldier, for a largely erroneous total debt of \$1.6 million. In another case, after exhausting all in-theatre processes to initiate pays without success, a sergeant with an Army Guard unit stationed in Uzbekistan had to make a time-consuming trip to Kuwait and back in order to personally deliver pay information from his unit to a finance office that could process Army Guard data. The trip proved to be not only a major inconvenience but was also life threatening, as the sergeant's aircraft came under enemy fire during the course of his journey.

With respect to human capital at our case study units, we found weaknesses, including (1) insufficient resources allocated to pay processing, (2) inadequate training related to existing policies and procedures, and (3) poor customer service. A sufficient number of well-trained military pay staff is particularly crucial given the extensive, cumbersome, and labor-intensive process requirements that have evolved to support active duty pay to Army Guard soldiers. During our work at the case study locations we audited, we identified instances in which military pay technicians with the Army Guard and active Army finance office locations made data coding errors when entering pay transactions into the pay systems. We were told that these errors occurred because military pay personnel—particularly those at the active Army finance office locations—were unfamiliar with the system's pay processing requirements for active duty pays to mobilized Army Guard personnel.

A related human capital issue—customer support for active duty pay issues—was a recurring concern at our six case study locations. None of

the DOD, Army, or Army Guard policies and procedures we examined addressed the level or quality of customer service that mobilized Army Guard soldiers should be provided for questions or problems with their active duty pays. For example, one soldier told us that he submitted documentation on three separate occasions to support the housing allowance he should have received as of the beginning of his October 2001 mobilization. Each time he was told to resubmit the documentation because his previously submitted documents were lost. Subsequently, while he was deployed, he made additional repeated inquiries concerning when he would receive his housing allowance pay. He was told that it would be taken care of when he returned from his deployment. However, when he returned from his deployment, he was told that he should have taken care of this issue while he was deployed and that it was now too late to receive this allowance.

Several systems issues were also a significant factor impeding accurate and timely payroll payments to mobilized Army Guard soldiers. The system relied on to pay mobilized Army Guard soldiers—the Defense Joint Military Pay System-Reserve Component (DJMS-RC)—was originally designed to process payroll payments to Army Reserve and Army Guard personnel on weekend drills, on short periods of annual active duty (periods of less than 30 days in duration), or for training. With Army Guard personnel now being paid from DJMS-RC for extended periods of active duty (as long as 2 years at a time), DFAS officials told us that the system is now stretched to the limits of its functionality. DFAS has established “workarounds” to compensate for the DJMS-RC system constraints. Overall, we found the current stove-piped, nonintegrated systems were labor-intensive and require extensive error-prone manual data entry and reentry. As a result, it was often difficult to ensure that mobilized soldiers received only and all the pays and allowances to which they were entitled, as illustrated in appendixes I-VI by our six case studies. While DOD has plans to implement system improvements in this area, it is likely that the department will be required to operate within existing system constraints for at least several more years.

Finally, our limited review of pays to one more recently activated Army Guard military police unit deployed to Iraq in April 2003 to provide military convoy security and carry out highway patrols indicated that some of the same types of pay problems that we found in our six case study units continued to occur. Of the 152 soldiers mobilized in this unit, we identified 54 soldiers who were either overpaid, underpaid, received entitled active duty pays and allowances over 30 days late, or for whom erroneous pay-

related debts were created. We found that these pay problems could be attributed to control breakdowns similar to those we found at our case study units, including input errors related to amended orders, delays and errors in coding pay and allowance transactions, and slow or nonexistent customer service response.

We are making a series of recommendations to address the Army Guard active duty pay weaknesses we identified in the areas of process, human capital, and systems. While DOD should take a number of immediate actions to address these problems, we are also recommending that DOD ensure that its longer-term reengineering and system improvement efforts in this area include complete and lasting solutions to the weaknesses identified. In its comments on a draft of this report, DOD agreed with our recommendations and outlined its actions to address the deficiencies noted in our report.

Background

The Army Guard is the oldest component of any of the uniformed services. It traces its roots to the colonial militia, and claims a “birth” of 1636. Today, the Army Guard exists in 54 locations that include all 50 states, the District of Columbia, and three territories: Guam, the Virgin Islands, and Puerto Rico. There are about 2,300 Army Guard units within these locations and over 350,000 Army Guard members. During peacetime, Army Guard units report to the adjutant generals of their states or territories, or in the case of the District of Columbia, to the Commanding General. Each adjutant general reports to the governor of the state, or in the case of the District of Columbia, the mayor.

At the state level, the governors have the ability, under the Constitution of the United States, to call up members of the Army Guard in times of domestic emergency or need. The Army Guard’s state mission is perhaps the most visible and well known. Army Guard units battle fires or help communities deal with floods, tornadoes, hurricanes, snowstorms, or other emergency situations. In times of civil unrest, the citizens of a state rely on the Army Guard to respond, if needed. During national emergencies, however, the President has the authority to mobilize the Army Guard, putting them in federal duty status. While federalized, the units answer to the Combatant Commander of the theatre in which they are operating and, ultimately, to the President. Even when not federalized, the Army Guard has a federal mission to maintain properly trained and equipped units, available for prompt mobilization for war, national emergency, or as otherwise needed. Nonfederalized Army Guard members’ pay and

allowances are paid with state funds while federalized Army Guard members' pay and allowances are paid with federal funds.

Typically, Army Guard members enlist for 8 years and are entitled to a number of benefits while serving in the Army Guard, including those for health care, life insurance, and other state-specific benefits. After their enlistment periods, former Army Guard members are entitled to veterans' benefits, such as veterans' health care and burial benefits.

Army Guard members are required to attend one drill weekend each month and one annual training period (usually 2 weeks in the summer) each year. Initially, all nonprior service personnel are required to attend initial entry training, also known as Basic Training. After Basic Training, soldiers go to their Advanced Individual Training, which teaches them the special skills they will need for their jobs in the Army Guard. This training can usually be scheduled to accommodate civilian job or school constraints. The Army Guard has armories and training facilities in more than 2,800 communities.

The Army Guard is a partner with the active Army and the Army Reserves in fulfilling the country's military needs. The National Guard Bureau (NGB) assists the Army Guard in this partnership. NGB is a joint bureau of the Departments of the Army and the Air Force and is charged with overseeing the federal functions of the Army Guard and the Air Guard. In this capacity, NGB helps the Army Guard and the Air Guard procure funding and administer policies. NGB also acts as a liaison between the Departments of the Army and Air Force and the states.

All Army forces are integrated under DOD's "total force" concept. DOD's total force concept is based on the premise that it is not practically feasible to maintain active duty forces sufficient to meet all possible war contingencies. Under this concept, DOD's active and reserve components are to be blended into a cohesive total force to meet a given mission.

On September 14, 2001, the President declared a national emergency as a result of the terrorist attacks on the World Trade Center and the Pentagon and the continuing and immediate threat of further attacks on the United States. Concurrent with this declaration, the President authorized the Secretary of Defense to call troops to active duty pursuant to 10 U.S.C. Section 12302. The Secretary of Defense delegated to the Secretary of the Army the authority to order Army Guard soldiers to active duty as part of the overall mobilization effort. Approximately 93,000 Army Guard soldiers were activated as of March 2003. At that time, Army Guard soldiers accounted for 34 percent of the total reserve components³ mobilized in response to the terrorist attacks on September 11, 2001.

The active duty federal missions established in response to the September 2001 national emergency were categorized into two operations: Operation Enduring Freedom and Operation Noble Eagle. In general, missions to fight terrorism outside the United States were categorized under Operation Enduring Freedom, while missions to provide domestic defense were categorized as Operation Noble Eagle. For example, Army Guard soldiers participated in direct combat in Afghanistan under Operation Enduring Freedom. U.S. homeland security missions, such as guarding the Pentagon, airports, nuclear power plants, domestic water supplies, bridges, tunnels, and other military assets were conducted under Operation Noble Eagle. The Army Guard also supported federal peacekeeping operations in Southwest Asia with Operation Desert Spring and in Kosovo with Operation Joint Guardian under various other military operations.

³Reserve components include the Army National Guard, Army Reserves, Air National Guard, Air Force Reserves, Naval Reserves, Marine Corps Reserves, and Coast Guard Reserves.

While on active duty, all Army Guard soldiers earn various statutorily authorized pays and allowances. The types of pay and allowances Army Guard soldiers are eligible to receive vary depending upon rank and length of service, dependency status, skills and certifications acquired, duty location, and the difficulty of the assignment. While Army Guard soldiers mobilized to active duty may be entitled to receive additional pays and allowances, we focused on 14 basic types of pays and allowances applicable to the Army Guard units we selected for case studies. As shown in table 1, we categorized these 14 pay and allowance types into two groups: (1) pays, including basic pay, special duty assignment pay, parachute jumping and foreign language proficiency skill-based pays, and location-based hostile fire and hardship duty pays and (2) allowances, including allowances for housing, subsistence, family separation, and cost of living for the continental United States.⁴

Table 1: Basic Pays and Allowances Associated with Case Study Units

Pays	Description	Dollar amount
Basic pay	Salary	Varies depending on rank and years of service
Hazardous duty pay - jump pay	Pay for parachute jumping	\$150 per month
Hazardous duty pay – jump pay - high altitude low opening pay	Pay for parachute jumping at high altitude without use of a static line	\$225 per month
Special duty assignment pay	Pay to enlisted soldiers performing duties that are particularly difficult or requiring an unusual degree of responsibility	Varies from \$55 to \$375 per month

⁴The law makes a distinction between the terms “pays” and “allowances” which together make up a service member’s overall compensation package. Generally, the term pay includes basic pay, special pay, retainer pay, incentive pay, retired pay, and equivalent pay, but does not include allowances. 37 U.S.C. Section 101(21). DOD defines an allowance as “a monetary amount paid to an individual in lieu of furnished quarters, subsistence, or the like.” Department of Defense Financial Management Regulation, vol. 7A, *Definitions*, para. 15 (February 2001). While generally items considered as “pay” are taxable for federal income tax purposes, except for the cost of living

allowance for the continental United States, most allowances, such as those for housing, subsistence, and family separation, are not.

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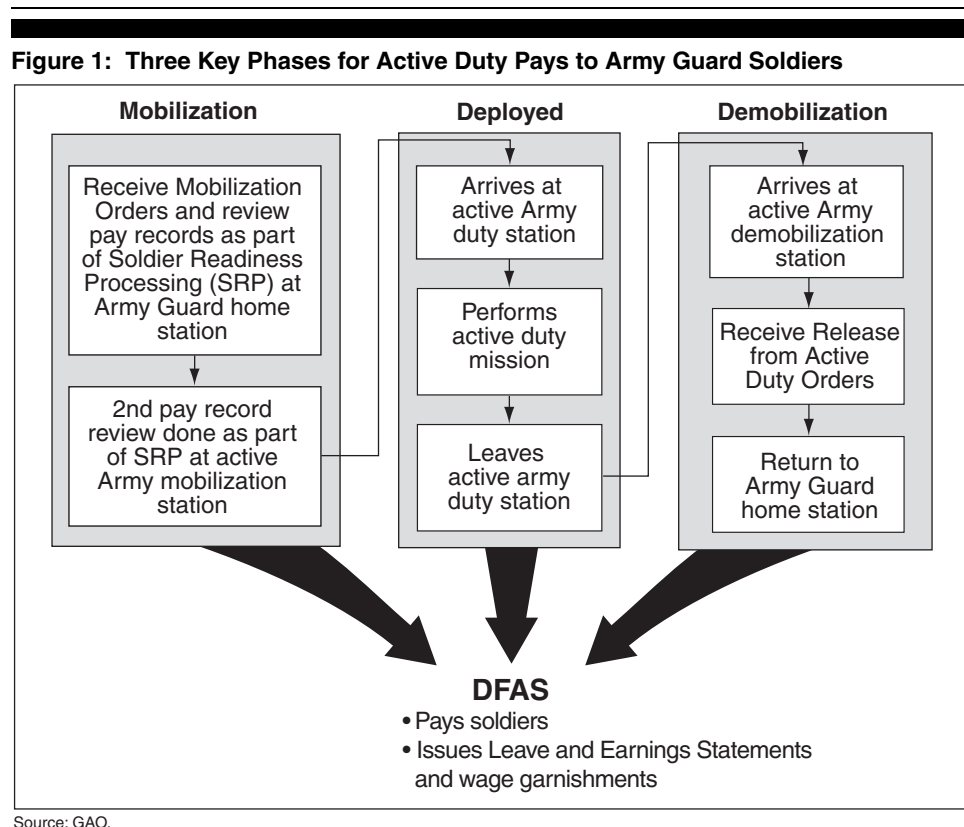
Pays	Description	Dollar amount
Foreign language proficiency pay	Pay for specialized foreign language skills	Varies depending on proficiency but may not exceed \$300 per month
Diving duty pay	Pay for diving duty or the requirement to maintain proficiency as a diver	Varies according to service branch and proficiency but may not exceed \$240 per month for officers and \$340 per month for enlisted members
Hardship duty location pay for designated areas	Pay when assigned to duty in specified locations	\$50, \$100, or \$150 per month (depending on duty location)
Hardship duty location pay for certain places (phase out began on January 1, 2002)	Pay to enlisted soldiers when assigned to duty in specified locations	Varies from \$8 to \$22.50 per month depending on rank
Hostile fire/imminent danger pay	Full pay for any portion of month assigned to a location subject to or in close proximity to hostile fire or assigned to duty in a designated imminent danger location	\$150 per month through September 30, 2002; \$225 per month effective October 1, 2002 through September 30, 2003
Allowances		
Basic allowance for housing	Meant to offset the cost of housing when member does not receive government-provided housing	Varies depending on location, rank, and whether member has dependents
Cost of living allowance in the continental United States	Meant to provide compensation for variations in costs (other than housing) in the continental United States	Varies depending on location, rank, years of service, and whether member has dependents
Basic allowance for subsistence	Meant to offset costs for a member's meals	Varies depending on whether member is officer or enlisted
Family separation allowance I	Meant to offset added housing expenses resulting from forced separation from dependents	Equivalent to monthly basic allowance for housing for member of same rank without dependents
Family separation "allowance II	Meant to offset certain expenses resulting from forced separation from dependents	\$100 per month from January 1, 1998, through September 30, 2002; \$250 per month effective October 1, 2002, through September 30, 2003

Source: GAO analysis.

In addition, Army Guard soldiers may be eligible for tax advantages associated with their mobilization to active duty. That is, mobilized Army Guard soldiers assigned to or working in a combat zone are entitled to

exclude from taxable income certain military pay that would otherwise be taxable.⁵

As shown in figure 1, there are three key phases associated with starting and stopping relevant pays and allowances for mobilized Army Guard soldiers: (1) initial mobilization (primarily through the Soldier Readiness Processing), (2) deployment, which includes carrying out assigned mission operations while on active duty, and (3) demobilization.



Army Guard units and state-level command support components, as well as active Army finance components and DFAS, have key roles in this process. In addition, there are five key computer systems involved in authorizing,

⁵There is no limit on the military pay exemption for enlisted Army Guard members, but there is an annual limit of about \$70,000 for officers.

entering, and processing active duty pays to mobilized Army Guard soldiers through the three key phases of their mobilization:

- Army's standard order writing system, Automated Fund Control Order System (AFCOS);
- Army Guard's personnel system, Standard Installation Division Personnel Reporting System (SIDPERS);
- Army Guard's pay input system, JUMPS Standard Terminal Input System (JUSTIS);
- active Army's pay input system, Defense Military Pay Office System (DMO); and
- DFAS' Army Guard and Reserve pay system, DJMS-RC.

Initial Mobilization Phase

During the initial mobilization, units receive an alert order and begin a mobilization preparation program, Soldier Readiness Processing (SRP). The financial portion of the SRP is conducted by one of the 54 United States Property and Fiscal Offices (USPFO) to verify the accuracy of pay records for each soldier and to make changes to pay records based on appropriate supporting documentation for the pays and allowances that the soldiers will be entitled to receive when initially mobilized. If documentation, such as birth certificates for dependents or parachute jumping certifications, is missing, soldiers have a few days to obtain the necessary documents. The unit commander is responsible for ensuring that all personnel data for each soldier under their command are current.

When the unit receives a mobilization order, USPFO pay technicians are responsible for initiating basic pay and allowances by manually entering the start and stop dates into DJMS-RC⁶ for the active duty tour that appears on each soldier's mobilization order. Army Guard pay technicians use JUSTIS to access and record data in DJMS-RC. By entering the soldier's Social Security number and mobilization order number into JUSTIS, the pay technician can view the pay data in DJMS-RC, ensure that they are

⁶In November 1988, the Under Secretary of the Army approved the use of the Air Force military pay system to pay the Army active and reserve component soldiers (including Army Guard soldiers).

complete, and enter any missing data supported by documentation provided by the soldier. If done correctly, soldiers will start to receive basic pay, basic allowances for housing, basic allowances for subsistence, and jump pay automatically based on the start date entered into DJMS-RC.

After soldiers complete their initial SRP and receive individual mobilization orders, they travel as a unit to a mobilization station. At the mobilization station, mobilized Army Guard personnel undergo a second SRP review. In this second SRP, mobilization station personnel are responsible for confirming or correcting the results of the first SRP, including making necessary reviews to ensure that each soldier's records are current. Mobilization pay technicians are required to promptly initiate pays that were not initiated during the first SRP and enter appropriate pay changes into DJMS-RC. The mobilization station commander is required to certify that the unit is ready for mobilization, including ensuring that all authorized active duty pays are in place for the soldiers in the unit, at the end of this process.

DJMS-RC will generate certain pays and allowances automatically for each 2-week pay period until the stop date entered in DJMS-RC. If entered correctly, the stop date in DJMS-RC will be the end of active duty tour date documented on the soldier's mobilization orders. This automated feature is intended to prevent erroneous payments to soldiers beyond their authorized active duty status. However, human intervention is required when a pay or allowance error is detected or an event occurs that requires a change in the soldier's pay and personnel file. For example, a change in dependent status, such as marriage or divorce, a promotion, jump pay disqualification, or being demobilized before an active duty tour ends would change or eliminate some of the pays and allowances a soldier would be entitled to receive. All pays and allowances and subsequent changes are documented in the Master Military Pay Account (MMPA)—the central pay record repository in DJMS-RC for each soldier.

Deployed Phase

While deployed on active duty, there are several Army Guard (USPFO), active Army, and DFAS components involved in paying mobilized Army Guard personnel. The active Army servicing finance office, which may be within the United States or in a foreign country, is responsible for initiating pays earned while the soldier is deployed, such as hostile fire pay and hardship duty pay. Pay technicians start hostile fire pay for each soldier listed on a battle roster or flight manifest. Thereafter, hostile fire pay is automatically generated each pay period. Other location-based pays, such

as hardship duty, require pay transactions each month. The servicing finance office for the deployed phase is under the jurisdiction of the active Army. Active Army servicing finance offices use DMO to enter pay transactions into DJMS-RC. Under certain conditions, either active Army pay servicing offices or USPFOs can process applicable pay-altering transactions, such as those related to a soldier's early separation from active duty or a soldier's death.

Demobilization Phase

Upon completion of an active duty tour, soldiers normally return to the same Army locations from which they were mobilized for demobilization out-processing before returning to their home units. Demobilization personnel, employed by the active Army or Army Guard, are required to provide each soldier with a Release from Active Duty (REFRAD) order and a Form DD 214, Certificate of Release or Discharge from Active Duty. The demobilization station pay technicians are to use these documents as a basis for deactivating the soldier's active duty pay and allowances as of the date of release from active duty. At this time, the supporting USPFO is responsible for discontinuing monthly input of all nonautomated pays and allowances. If the demobilization station did not take action to return a soldier to a demobilized status, the state USPFO has this responsibility.

Military Pay Systems Environment

In 1995, the Army decided to process pays to mobilized Army Guard soldiers from the DJMS-RC system rather than the active Army payroll system used to pay mobilized Army Guard soldiers previously. According to the then Deputy Assistant Secretary of the Army (Financial Operations), this decision was made as an interim measure (pending the conversion to a single system to pay both active and reserve component soldiers) based on the belief that DJMS-RC provides the best service to the reserve component soldiers. DJMS-RC is a large, complex, and sensitive payroll computer application used to pay Army and Air National Guard and Army and Air Force Reserve personnel. DFAS has primary responsibility for developing guidance and managing operations of the system. DFAS Indianapolis is the central site for all Army military pay and is responsible for maintaining over 1 million MMPAs for the Army. Each MMPA contains a soldier's pay-related personnel, entitlement, and performance data. All pay-related transactions that are entered into DJMS-RC, through JUSTIS and DMO, update the MMPA. Personnel data contained in the MMPA are generated from SIDPERS—a personnel database maintained and used by the Army Guard at the 54 state-level personnel offices to capture data on personnel-related

actions (e.g. discharge, promotion, demotion actions that impact soldiers' pay).

DFAS Denver is responsible for designing, developing, and maintaining customer requirements for the Military and Civilian Pay Services business line, and its Technical Support Office designs and maintains the DJMS-RC core pay software. DFAS-Indianapolis serves as a "gatekeeper" in that it monitors the daily status of data uploaded to DJMS-RC to ensure that all transactions are received and processed in DJMS-RC. Users can sign on to DJMS-RC directly through online interactive software used for file transfer transactions, online queries of MMPAs, and downloads of data files and various DJMS-RC reports.

JUSTIS is the pay input subsystem used by the 54 state-level Army Guard commands, including the USPFOS, to update DJMS-RC. Database management of JUSTIS is decentralized in that each of the 54 sites owns and maintains its own JUSTIS database. This subsystem processes transactions for submission to DJMS-RC to create payments for Army National Guard soldiers. JUSTIS receives certain pay-affecting personnel data from SIDPERS.

JUSTIS receives a limited amount of mobilization order data directly from AFCOS. These systems share the same operating system platform and certain database tables. However, additional data needed to create pay transactions associated with active duty pay and allowances must be entered manually into JUSTIS from hard copies of mobilization orders. DMO is the pay input subsystem used by active Army finance offices and the DOD military pay offices, including those in overseas locations such as Europe, Korea, and Iraq, to update DJMS-RC. This pay input subsystem can be used by active Army finance offices to create transactions for military pay and allowances that are not reported at the time of mobilization for upload to DJMS-RC and for active Army finance offices to use to enter location-based pays, such as hostile fire and hardship duty pays and combat zone tax exclusion transactions.

Case Studies Illustrate Significant Pay Problems

We found significant pay problems at the six Army Guard units we audited. These problems related to processes, human capital, and systems. The six units we audited, including three special forces and three military police units, were as follows:

Special forces units

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- Colorado B Company, 5th Battalion, 19th Special Forces
 - Virginia B Company, 3rd Battalion, 20th Special Forces
 - West Virginia C Company, 2nd Battalion, 19th Special Forces

Military police units

- Mississippi 114th Military Police Company
- California 49th Military Police Headquarters and Headquarters Detachment
- Maryland 200th Military Police Company

In addition, we conducted a limited review of the pay experiences of a seventh unit mobilized more recently and deployed to Iraq in April 2003—the Colorado Army Guard’s 220th Military Police Company—to determine the extent to which the pay problems we found in our six case study units persisted. As shown in figure 2, these units were deployed to various locations in the United States and overseas in support of Operations Noble Eagle and Enduring Freedom.

Figure 2: Units and Deployment Locations



Source: GAO.

These units were deployed to help perform a variety of critical mission operations, including search and destroy missions in Afghanistan against Taliban and al Qaeda forces, guard duty for al Qaeda prisoners in Cuba, providing security at the Pentagon shortly after the September 11, 2001, terrorist attacks, and military convoy security and highway patrols in Iraq.

For the six units we audited, we found significant pay problems involving over one million dollars in errors. These problems consisted of underpayments, overpayments, and late payments that occurred during all three phases of Army Guard mobilization to active duty. Overall, for the 18-month period from October 1, 2001, through March 31, 2003, we identified overpayments,⁷ underpayments, and late payments at the six case study units estimated at \$691,000, \$67,000, and \$245,000, respectively. In addition, for one unit, these pay problems resulted in largely erroneous debts totaling \$1.6 million. Overall, we found that 450 of the 481 soldiers from our case study units had at least one pay problem associated with their mobilization to active duty. Table 2 shows the number of soldiers with at least one pay problem during each of the three phases of active duty mobilization.

Table 2: Pay Problems at Six Case Study Units

Army Guard unit	Soldiers with pay problems		
	Mobilization	Deployment	Demobilization
Colorado Special Forces	56 of 62	61 of 62	53 of 62
Virginia Special Forces	31 of 65	63 of 65	60 of 65
West Virginia Special Forces	36 of 94	84 of 94	66 of 94
California Military Police	48 of 51	41 of 51	0 of 51
Maryland Military Police	75 of 90	64 of 90	3 of 90
Mississippi Military Police	21 of 119	93 of 119	90 of 119

Source: GAO analysis.

⁷We identified about \$135,000 in collections against these overpayments.

Due to the lack of supporting documents at the state, unit, and battalion levels, we may not have identified all of the pay problems related to the active duty mobilizations of these units. We have provided documentation for the pay problems we identified to appropriate DOD officials for further research to determine whether additional amounts are owed to the government or the soldiers. The payment problems we identified at the six case study units did not include instances of fraudulent payments, which were a major finding resulting from the further investigation of improper payments found in our 1993 audit of Army military payroll.⁸ Nonetheless, we found the inaccurate, late, and missing pays and associated erroneous debts found during our current audit had a profound financial impact on individual soldiers and their families. Some of the pay problems we identified included the following.

- DOD erroneously billed 34 soldiers in a Colorado National Guard Special Forces unit an average of \$48,000 each. Though we first notified DOD of these issues in April and sent a follow-up letter in June 2003, the largely erroneous total debt for these soldiers of about \$1.6 million remained unresolved at the end of our audit in September 2003.
- As a result of confusion over responsibility for entering transactions associated with a Colorado soldier's promotion, the soldier's spouse had to obtain a grant from the Colorado National Guard to pay bills while her husband was in Afghanistan.
- Some soldiers did not receive payments for up to 6 months after mobilization and others still had not received certain payments by the conclusion of our audit work.
- Ninety-one of 100 members of a Mississippi National Guard military police unit that was deployed to Guantanamo Bay, Cuba, did not receive the correct amount of Hardship Duty Pay.

⁸GAO/AIMD-93-32. As discussed in that report, at that time, Army Guard soldiers mobilized to active duty were paid using the Army active duty pay system. In addition, as discussed in our April 1994 testimony, (U.S. General Accounting Office, *Financial Management: Financial Control and System Weaknesses Continue to Waste DOD Resources and Undermine Operations*, GAO/T-AIMD/NSIAD-94-154, Washington, D.C.: Apr. 12, 1994), further investigation of the improper payroll payments identified in our 1993 report revealed instances of fraudulent payments to "ghost soldiers."

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- One soldier from the Mississippi unit was paid \$9,400 in active duty pay during the 3 months following an early discharge for drug-related charges.
 - Forty-eight of 51 soldiers in a California National Guard military police unit received late payments because the unit armory did not have a copy machine available to make copies of needed pay-related documents.
 - Four Virginia Special Forces soldiers who were injured in Afghanistan and unable to resume their civilian jobs experienced problems in receiving entitled active duty pays and related health care.

In some cases, the problems we identified may have distracted these professional soldiers from mission requirements, as they spent considerable time and effort while deployed attempting to address these issues. Further, these problems may adversely affect the Army's ability to retain these valuable personnel. Appendixes I–VI provide details of the pay experiences of the soldiers at the case study units we audited.

Significant Weaknesses in Processes over Mobilized Army Guard Pay

Procedural requirements, particularly in light of the potentially hundreds of organizations and thousands of personnel involved, were not well understood or consistently applied with respect to determining (1) the actions required to make timely, accurate active duty pays to mobilized Army Guard soldiers and (2) the component responsible, among Army Guard, active Army, and DFAS, for taking the required actions. Further, we found instances in which existing guidance was out of date—some of which still reflected practices in place in 1991 during Operation Desert Storm. These complex, cumbersome processes, which were developed in piecemeal fashion over a number of years, provide numerous opportunities for control breakdowns. We found that a substantial number of payment errors were caused, at least in part, by unclear procedural requirements for processing active duty pay and allowance entitlements to mobilized Army Guard soldiers.

Complex, Cumbersome, and Evolving Processes

Overall, as shown in figures 3, 4 and 5, we found that an extensive, cumbersome, and labor-intensive process has evolved to pay mobilized Army Guard soldiers for their active duty service.

Figure 3: Initial Mobilization Phase Process

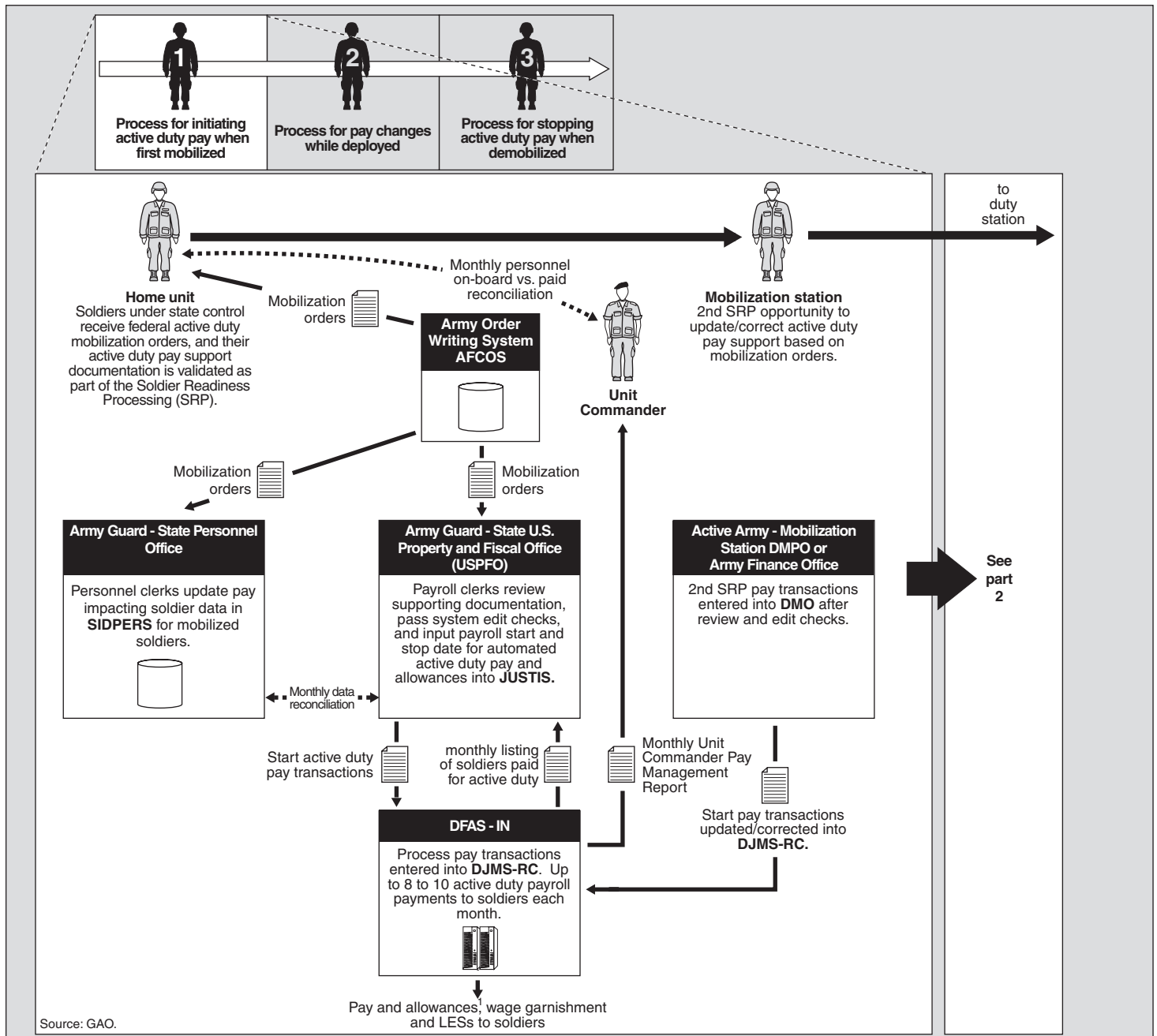


Figure 4: Deployed Phase Process

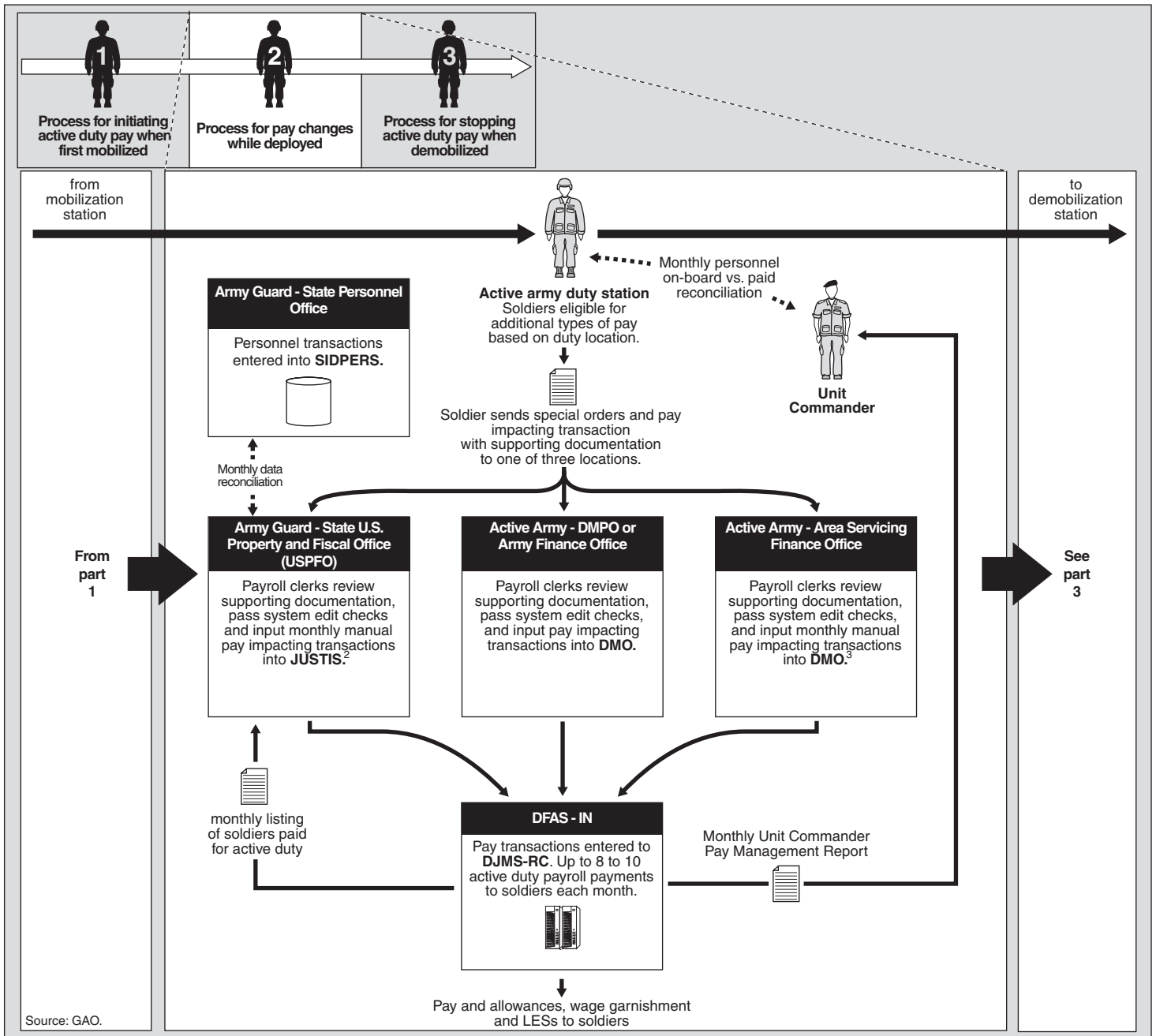
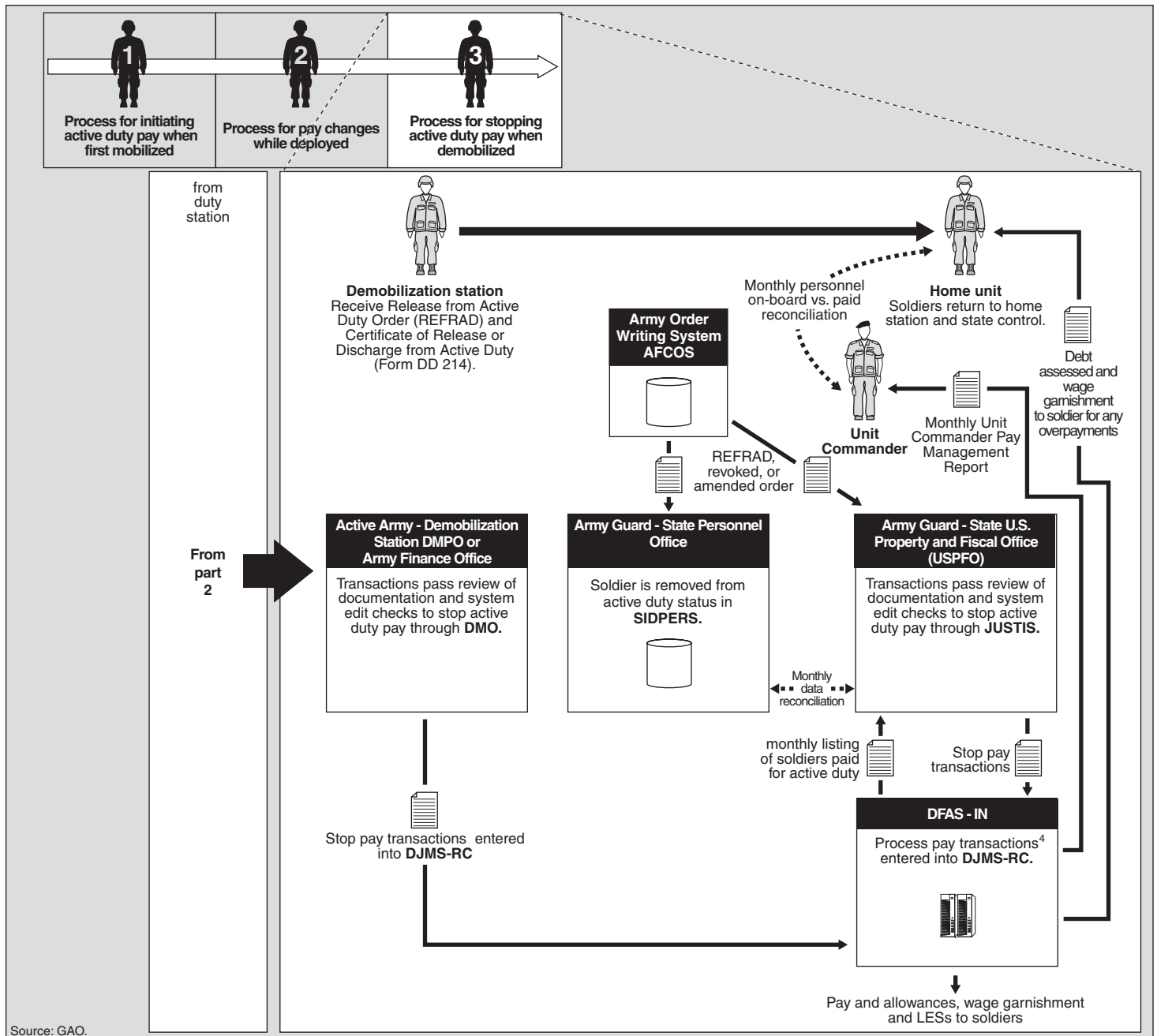


Figure 5: Demobilization Phase Process



While figures 3, 4 and 5 provide an overview of the process, particularly of the types of DOD organizations involved, they do not fully capture the numbers of different DOD components involved. Specifically, thousands of Army Guard (individual units and state-level organizations), active Army, and DFAS components may be involved in authorizing, processing, and paying mobilized Army Guard soldiers, including

- an estimated 2,300 local Army Guard home units, unit commanders, and unit administrators that are involved in maintaining up-to-date soldier personnel and related pay records;
- 54 state-level Army Guard commands, including both USPFOs and state-level personnel offices involved in authorizing and starting active duty pay transactions;
- active Army finance offices or DOD Military Pay Offices at over 15 mobilization stations across the United States that are involved in processing Army Guard personnel to and from their active duty locations;
- 28 active Army area servicing finance offices at over 50 locations worldwide that are involved in servicing Army Guard soldiers' location-based active duty pays;
- DFAS-Indianapolis—the central site for processing Army Guard soldiers' active duty pays;
- DFAS-Denver—the central site for maintaining the pay system used to pay Army Guard soldiers;
- DFAS-Cleveland—the central site for handling soldier military pay inquiries; and
- The Army National Guard Financial Services Center—the Army Guard organization responsible for providing guidance, training, and oversight and coordination for active duty pays to Army Guard personnel.

Several of these organizations with key roles in payroll payments to mobilized Army Guard soldiers, including DOD, DFAS, Army, and the Army Guard, have issued their own implementing regulations, policies, and procedures. In addition, we found unwritten practices in place at some of the case study locations we audited. Existing written policies and

procedures are voluminous—the DOD Financial Management Regulations (FMR) guidance on pay and allowance entitlements alone covers 65 chapters. As a result of their size and continually evolving nature as legal, procedural, and system requirements change, we found that policies and procedures were not well understood or consistently applied across the potentially hundreds of organizations and thousands of personnel involved in paying mobilized Army Guard personnel. These processes have been developed in piecemeal fashion over a number of years to accommodate changing legislative requirements, DOD policies, and the unique operating practices of different DOD organizations and systems involved in these processes.

As discussed in the following sections, these extensive and evolving policies and procedures were confusing both across various organizations and personnel involved in their implementation and, more importantly, to the Army Guard soldiers who are the intended beneficiaries. In addition, these cumbersome policies and procedures contributed to the pay errors we identified.

Procedural Requirements Not Clear

We found instances in which unclear procedural requirements for processing active duty pays contributed to erroneous and late pays and allowances to mobilized Army Guard soldiers. For example, we found existing policies and procedural guidance were unclear with respect to the following issues.

Amending active duty orders. A significant problem we found at the case study locations we audited concerned procedures that should be followed for amending active duty orders. We found instances at two of our case study locations in which military pay technicians at either a USPFO or an active Army finance office made errors in amending existing orders. These errors resulted in establishing virtually all prior pays made under the original orders as debts. A major contributor to the pay errors we found in this area was that existing procedures did not clearly state how USPFO and active Army finance personnel should modify existing order tour start and stop information in the pay system when necessary without also unintentionally adversely affecting previous pays and allowances. Also, these procedures did not warn USPFO and active Army personnel that using alternative methods will automatically result in an erroneous debt assessment and garnishment of up to two-thirds of the soldier's pay.

We identified over \$1 million in largely erroneous debt transactions as a result of breakdowns in this area. At the Colorado Special Forces unit, we found that actions taken by the Colorado USPFO in an attempt to amend 34 soldiers' orders resulted in reversing the active pay and allowances the soldiers received for 11 of the 12 months they were deployed on active duty in Afghanistan and instead establishing these payments as debts. These 34 soldiers received notice on their Leave and Earnings Statements that they owed the government an average of approximately \$48,000 per soldier, for a total largely erroneous debt of \$1.6 million. Although we informed DOD of this problem in April 2003, as of the end of our audit fieldwork in September 2003, the problems at the Colorado Special Forces unit had not been resolved. DOD officials did advise us that, as a result of our work, they implemented a software change on September 18, 2003, intended to help avoid such problems in the future. Specifically, we were told new warning messages have been added to JUSTIS that will appear when a transaction is entered to cancel or amend a tour of duty. The new warnings will advise that the transaction will or could result in a collection action and will ask the pay technician to confirm that is their intent. While we did not verify the effectiveness of this change, it has the potential to reduce pay problems associated with errors made in amending orders.

Required time frames for processing pay transactions. Written requirements did not exist with respect to the maximum amount of time that should elapse between the receipt by the responsible Army Guard or Army pay office of proper documentation and processing the related pay transaction through the pay system. While some of the locations we audited had established informal processing targets, for example, 3 days, we also found numerous instances in which available documentation indicated lengthy delays in processing pay transactions after pay offices received supporting documentation. These lengthy processing delays resulted in late payroll payments to deployed soldiers.

Required monthly reconciliations of pay and personnel data. The case study units lacked specific written requirements for conducting and documenting monthly reconciliations of pay and personnel mismatch reports and unit commanders' finance reports. Available documentation showed that these controls were either not done or were not done consistently or timely. Because, as discussed later in this report, the processing of Army Guard pay relies on systems that are not integrated or effectively interfaced, these after-the-fact detective controls are critical to detecting and correcting erroneous or fraudulent pays.

To be effective, the 54 state-level Army Guard commands must individually reconcile common data elements in all 54 state-operated personnel databases for Army Guard personnel with corresponding DJMS-RC pay records at least monthly. Because of the lack of clarity in existing procedural requirements in this area, we found that several of the locations we visited had established standard but undocumented reconciliation practices. However, at the six case study locations we audited, we found that although all the USPFOs told us they received monthly SIDPERS and DJMS-RC mismatch reports, they did not always fully reconcile and make all necessary system corrections each month. Lacking specific written policies and procedural requirements for such reconciliations, several of the case study locations we audited established a standard, but undocumented, practice of reconciling roughly a third of the common data elements every month, so that all elements were to be reconciled and all necessary corrective actions taken over a 3-month period. However, documentation was not always retained to determine the extent to which these reconciliations were done and if they were done consistently.

Our findings are similar to those in reports from Army Guard operational reviews. For example, the results of the most recent reviews at three of the six case study locations we audited showed that state Army Guard personnel were not performing effective reconciliations of pay and personnel record discrepancies each month. One such report⁹ concluded, "Failure to reconcile the Personnel/Pay Mismatch listing monthly provides a perfect opportunity to establish fraudulent personnel or pay accounts."

Several of the instances we identified in which soldiers received pay and allowances for many months after their release from active duty likely would have been identified sooner had USPFO military pay personnel investigated the personnel/pay mismatch report discrepancies more frequently. For example, at one case study unit, 34 soldiers received pay for several months past their official discharge dates. Although records were not available to confirm that these overpayments were reported as discrepancies on monthly mismatch reports, the USPFO military pay supervisor told us that at the time the mismatch reports were not being used to identify and correct pay-affecting errors.

⁹May 9, 2002, memorandum on the results of an April 15-19, 2002, National Guard Bureau operational review of Colorado's USPFO.

As discussed later, at another case study unit, a mobilized soldier was released from active duty and discharged from the Army in June 2002, earlier than his planned release date due to alleged involvement in drug-related activities. But, the soldier continued to receive active duty pay. The soldier's SIDPERS personnel record on July 2, 2002, to reflect the discharge. According to pay records, the soldier's pay continued until the USPFO military pay supervisor identified the discrepancy on the September 25, 2002, personnel/pay mismatch report and initiated action that stopped the soldier's pay effective September 30, 2002. However, because this discrepancy was not identified until late September, the soldier received \$9,400 in extra pay following his discharge from the Army.

In addition, while as discussed previously, we found a number of instances in which Army Guard soldiers' active duty pays continued after their demobilization, available documentation showed only one instance in the six case study units we visited in which a reconciliation of the unit commander's finance report resulted in action to stop improper active duty pay and allowances. Specifically, available documentation shows that an administrative clerk's review of this report while the unit was mobilized in Guantanamo Bay, Cuba, resulted in action to stop active duty pay and allowances to a soldier who was previously demobilized. However, it is also important to note that while these reconciliations are an important after-the-fact detective control, they are limited because they can only detect situations in which payroll and personnel records do not agree. A number of pay errors we identified resulted from the fact that neither personnel nor pay records were updated.

Soldiers returning from deployments earlier than their units. For four of our case study units, we found instances in which Army Guard soldiers' active duty pays were not stopped at the end of their active duty tours when they were released from active duty earlier than their units. We found procedural guidance did not clearly specify how to carry out assigned responsibilities for soldiers who return from active duty earlier than their units. DFAS-Indianapolis guidance provides only that "the supporting USPFO will be responsible for validating the status of any soldier who does not return to a demobilized status with a unit." The guidance did not state how the USPFO should be informed that a soldier did not return with his or her unit, or how the USPFO was to take action to validate the status of such soldiers. At one of our case study locations, officials at the USPFO informed us that they became aware that a soldier had returned early from a deployment when the soldier appeared at a weekend drill while his unit was still deployed.

Data input and eligibility requirements for housing and family separation allowances. Our audit work at two of our case study locations indicated that procedural guidance was not clear with respect to transaction entry and eligibility requirements for the basic allowance for housing and the family separation allowance, respectively. For example, during our audit work at one of our case study locations, we determined that because of inconsistent interpretations of existing guidance for “dependents” in entering transactions to start paying soldiers’ basic allowance for housing, a number of Maryland soldiers were not paid the correct amount. At another case study location, we found that existing guidance on eligibility determination was misinterpreted so that soldiers were erroneously refused the “single parent soldiers family separation allowance” to which they were entitled.

**Organizational
Responsibilities Not Clear**

We also found that existing policies and procedures were unclear with respect to organizational responsibilities. Confusion centered principally around pay processing responsibility for Army Guard soldiers as they move from state control to federal control and back again. To be effective, current processes rely on close coordination and communication between state (Army Guard unit and state-level command organizations) and federal (active Army finance locations at mobilization/demobilization stations and at area servicing finance offices). However, we found a significant number of instances in which critical coordination requirements were not clearly defined.

Individual Case Illustration: Confusion over Responsibility for Entering Pay Transactions Results in Family Obtaining a Grant to Pay Bills

A sergeant incurred pay problems during his mobilization and deployment to Afghanistan in support of Operation Enduring Freedom that caused financial hardship for his family while he was deployed. In this case, the active Army and his state's USPFO were confused as to responsibility for processing pay input transactions associated with a promotion. Specifically, pay input transactions were required for his promotion from a sergeant first class (E-7) to master sergeant (E-8), his demotion back to an E-7, and a second promotion back to an E-8. The end result was the soldier was overpaid during the period of his demotion. DFAS garnished his wages and collected approximately \$1,100 of the soldier's salary. These garnishments reduced the soldier's net pay to less than 50 percent of the amount he had been receiving. As a result, the soldier's wife had to obtain a grant of \$500 from the Colorado National Guard's Family Support Group to pay bills.

DFAS Indianapolis mobilization procedures authorize the Army Guard's USPFOs and the active Army's mobilization station and in-theater finance offices to enter transactions for deployed soldiers. However, we found existing guidance did not provide for clear responsibility and accountability between USPFOs and active Army mobilization stations and in-theater servicing finance offices with respect to responsibility for entering transactions while in-theater and terminating payments for soldiers who separate early or who are absent without leave or are confined. For example, at one of our case study locations, we found that this broad authority for entering changes to soldiers' pay records enabled almost simultaneous attempts by two different pay offices to enter pay transactions into DJMS-RC for the same soldier.

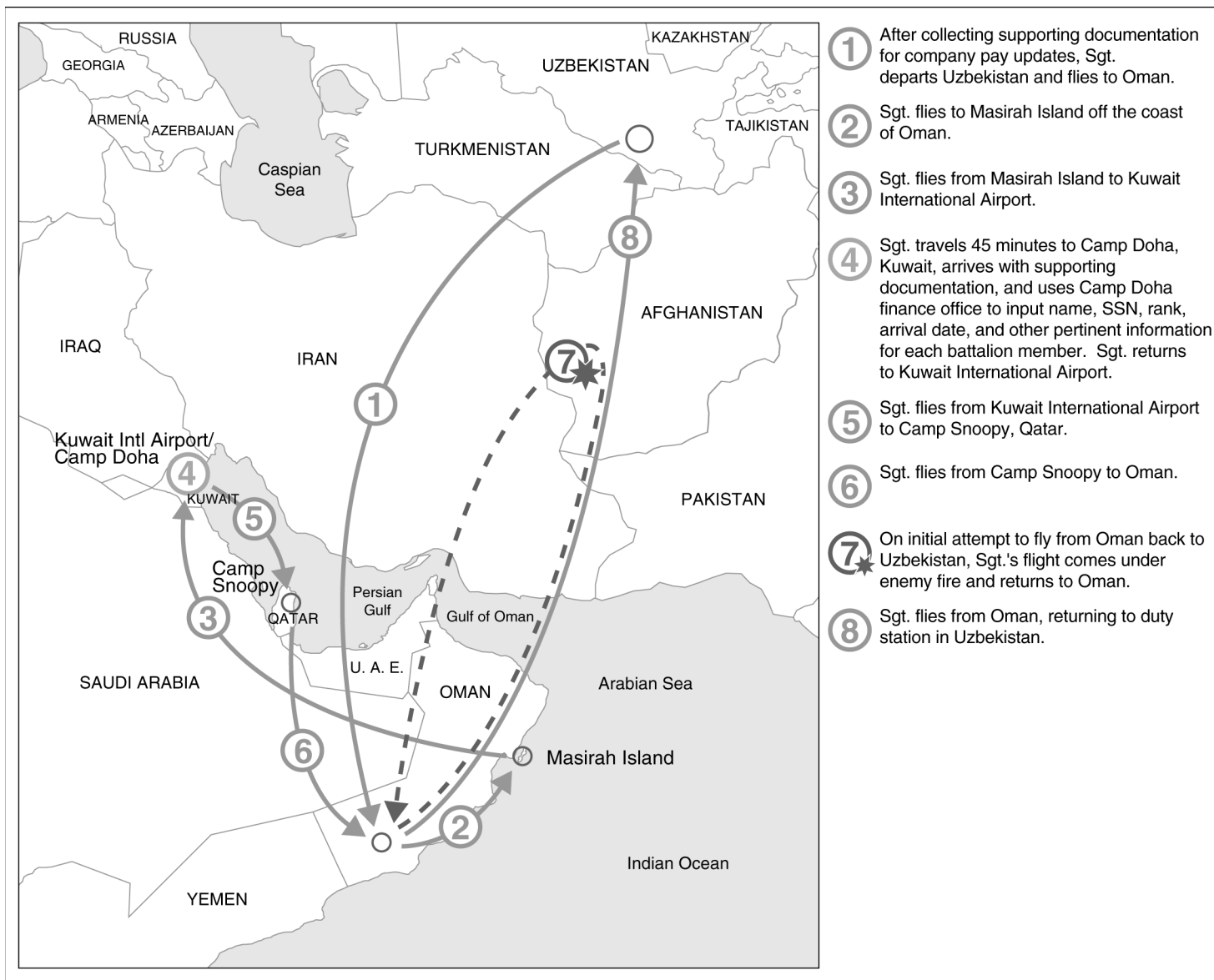
As shown in the following illustration, at another case study location we found that, in part because of confusion over responsibility for starting location-based pays, a soldier was required to carry out a dangerous multiday mission to correct these payments.

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Individual Case Illustration: Difficulty in Starting In-Theatre Pays

A sergeant with the West Virginia National Guard Special Forces unit was stationed in Uzbekistan with the rest of his unit, which was experiencing numerous pay problems. The sergeant told us that the local finance office in Uzbekistan did not have the systems up and ready, nor available personnel who were familiar with DJMS-RC. According to the sergeant, the active Army finance personnel were only taking care of the active Army soldiers' pay issues. When pay technicians at the West Virginia USPFO attempted to help take care of some of the West Virginia National Guard soldiers' pay problems, they were told by personnel at DFAS-Indianapolis not to get involved because the active Army finance offices had primary responsibility for correcting the unit's pay issues.

Eventually, the sergeant was ordered to travel to the finance office at Camp Doha, Kuwait, to get its assistance in fixing the pay problems. As illustrated in the following map. This trip, during which a soldier had to set aside his in-theatre duties to attempt to resolve Army Guard pay issues, proved to be not only a major inconvenience to the sergeant, but was also life-threatening. At Camp Doha (an established finance office), a reserve pay finance unit was sent from the United States to deal with the reserve component soldiers' pay issues. The sergeant left Uzbekistan for the 4-day trip to Kuwait. He first flew from Uzbekistan to Oman in a C-130 ambulatory aircraft (carrying wounded soldiers). From Oman, he flew to Masirah Island. From Masirah Island he flew to Kuwait International Airport, and from the airport he had a 45-minute drive to Camp Doha. The total travel time was 16 hours. The sergeant delivered a box of supporting documents used to input data into the system. He worked with the finance office personnel at Camp Doha to enter the pertinent data on each member of his battalion into DJMS-RC. After 2 days working at Camp Doha, the sergeant returned to the Kuwait International Airport, flew to Camp Snoopy in Qatar, and from there to Oman. On his flight between Oman and Uzbekistan, the sergeant's plane took enemy fire and was forced to return to Oman. No injuries were reported. The next day, he left Oman and returned safely to Uzbekistan.



Source: GAO.

While guidance that permits both Army Guard and active Army military pay personnel to enter transactions for mobilized Army Guard soldiers provides flexibility in serving the soldiers, we found indications that it also contributed to soldiers being passed between the active Army and Army Guard servicing locations. For example, at another of our case study locations, we were told that several mobilized soldiers sought help in resolving active duty pay problems from the active Army's mobilization station finance office at Fort Knox and later the finance office at Fort Campbell. However, officials at those active Army locations directed the soldiers back to the USPFO because they were Army Guard soldiers.

We also found procedures were not clear on how to ensure timely processing of active duty medical extensions for injured Army Guard soldiers. Army Regulation 135-381 provides that Army Guard soldiers who are incapacitated as a result of injury, illness, or disease that occurred while on active duty for more than 30 consecutive days are eligible for continued health benefits. That is, with medical extension status, soldiers are entitled to continue to receive active duty pays, allowances, and medical benefits while under a physician's care.

At the Virginia 20th Special Forces, B Company, 3rd Battalion, we found that four soldiers were eligible for continued active duty pay and associated medical benefits due to injuries incurred as a result of their involvement in Operation Enduring Freedom. Although these injuries precluded them from resuming their civilian jobs, they experienced significant pay problems as well as problems in receiving needed medical care, in part, as a result of the lack of clearly defined implementing procedures in this area. All four soldiers experienced pay disruptions because existing guidance was not clear on actions needed to ensure that these soldiers were retained on active duty medical extensions. One of the soldiers told us, "People did not know who was responsible for what. No one knew who to contact or what paperwork was needed...." As a result, all four have experienced gaps in receiving active duty pay and associated medical benefits while they remained under a physician's care for injuries received while on their original active duty tour.

Individual Case Illustration: Unclear Regulations for Active Duty Medical Extension

Four soldiers who were injured while mobilized in Afghanistan for Operation Enduring Freedom told us that customer service was poor and no one was really looking after their interest or even cared about them. These problems resulted in numerous personal and financial difficulties for these soldiers.

- *“Not having this resolved means that my family has had to make greater sacrifices and it leaves them in an unstable environment. This has caused great stress on my family that may lead to divorce.”*
- *“My orders ran out while awaiting surgery and the care center tried to deny me care. My savings account was reduced to nearly 0 because I was also not getting paid while I waited. I called the Inspector General at Walter Reed and my congressman. My orders were finally cut. In the end, I was discharged 2 weeks before my care should have been completed because the second amendment to my orders never came and I couldn’t afford to wait for them before I went back to work. The whole mess was blamed on the ‘state’ and nothing was ever done to fix it.”*
- One sergeant was required to stay at Womack, the medical facility at Fort Bragg, North Carolina, while on medical extension. His home was in New Jersey. He had not been home for about 20 months, since his call to active duty. While he was recovering from his injuries, his wife was experiencing a high-risk pregnancy and depended upon her husband’s medical coverage, which was available while he remained in active duty status. Even though she lived in New Jersey, she scheduled her medical appointments near Fort Bragg to be with her husband. The sergeant submitted multiple requests to extend his active duty medical extension status because the paperwork kept getting lost. Lapses in obtaining approvals for continued active duty medical extension status caused the sergeant’s military medical benefits and his active duty pay to be stopped several times. He told us that because of gaps in his medical extension orders, he was denied medical coverage, resulting in three delays in scheduling a surgery. He also told us he received medical bills associated with his wife’s hospitalization for the delivery of their premature baby as a result of these gaps in coverage.

Guidance Outdated

We found several instances in which existing DOD and Army regulations and guidance in the pay and allowance area are outdated and conflict with more current legislative and DOD guidance. Some existing guidance reflected pay policies and procedures dating back to Operations Desert Shield and Desert Storm in 1991. While we were able to associate pay problems with only one of these outdated requirements, there is a risk that they may also have caused as yet unidentified pay problems. Further, having out-of-date requirements in current regulations may contribute to confusion and customer service issues.

For example, the National Defense Authorization Act for Fiscal Year 1998 replaced the basic allowance for quarters and the variable housing allowance with the basic allowance for housing.¹⁰ However, volume 7A, chapter 27 of the DOD FMR, dated February 2002, still refers to the basic allowance for quarters and the variable housing allowance. The act also replaced foreign duty pay with hardship duty pay.¹¹ Yet, chapter 8 of Army Regulation 37-104-4 (Military Pay and Allowances Policy and Procedures – Active Component) still refers to foreign duty pay.

Further, current DFAS and Army mobilization procedural guidance directs active Army finance units to use transaction codes to start soldiers' hardship duty pays that are incorrect. Effective December 2001, DOD amended FMR, Volume 7A, chapter 17, to establish a new "designated area" hardship duty pay with rates of \$50, \$100, or \$150 per month, depending on the area. However, DFAS guidance dated December 19, 2002, directed mobilization site finance offices to use transaction codes that resulted in soldiers receiving a prior type of hardship duty pay that was eliminated in the December 2001 revisions. At one of our case study locations, we found that because the active Army finance office followed the outdated DFAS guidance for starting hardship duty pays, 91 of 100 Mississippi military police unit soldiers deployed to Cuba to guard al Qaeda prisoners were paid incorrect amounts of hardship duty pay.

In addition, Army Regulation 37-104-4, dated September 1994, which was still in effect at the end of our audit work, provides that mobilized Army Guard soldiers are to be paid through the active Army pay system—the Defense Joint Military Pay System-Active Component (DJMS-AC). This procedure, in effect during the mobilizations to support Operations Desert Shield and Desert Storm, was changed in 1995. Specifically, in 1995, it was agreed that Army Guard personnel would no longer be moved to the active duty pay system, DJMS-AC, when mobilized to active duty, but would remain on the DJMS-RC system. Maintaining such outdated references in current policies may have contributed to confusion by USPFO and active Army finance personnel regarding required actions, particularly in light of the extensive set of policies and procedures now in effect in this area.

¹⁰Pub. L. No. 105-85, Div. A, Title VI, Subtitle A, Section 603, 111 Stat. 1629, 1775 (1997).

¹¹*Id.* at Section 619, 111 Stat. 1629, 1789.

Human Capital Issues Affect Ability to Pay Mobilized Army Guard Soldiers Promptly and Accurately

With respect to human capital, we found weaknesses, including (1) insufficient resources allocated to pay processing, (2) inadequate training related to existing policies and procedures, and (3) poor customer service. The lack of sufficient numbers of well-trained, competent military pay professionals can undermine the effectiveness of even a world-class integrated pay and personnel system. A sufficient number of well-trained military pay staff is particularly crucial given the extensive, cumbersome, and labor-intensive process requirements that have evolved to support active duty pay to Army Guard soldiers. GAO's *Standards for Internal Control in the Federal Government* states that effective human capital practices are critical to establishing and maintaining a strong internal control environment. Specifically, management should take steps to ensure that its organization has the appropriate number of employees, and that appropriate human capital practices, including hiring, training, and retention, are in place and effectively operating.

Insufficient Numbers of Military Pay Processing Personnel

Our audit identified concerns with the numbers of knowledgeable personnel dedicated to entering and processing active duty pays and allowances to mobilized Army Guard soldiers. As discussed previously, both active Army and Army Guard military pay personnel play key roles in this area. Army Guard operating procedures provide that the primary responsibility for administering Army Guard soldiers' pay as they are mobilized to active duty rests with the 54 USPFOs. These USPFOs are responsible for processing pay for drilling reservists along with the additional surge of processing required for initiating active duty pays for mobilized soldiers.

Our audit work identified concerns with the human capital resources allocated to this area, primarily with respect to the Army Guard military pay processing at the state-level USPFOs. Specifically, we identified concerns with (1) the number of staff on board in the military pay sections of the USPFOs, (2) the relatively lower grade structure for nonsupervisory personnel in the USPFOs' military pay sections in comparison with the grades for similar positions in other sections of the USPFO which led to difficulty in recruiting and retaining military pay processing personnel, and (3) as discussed in the following section, few of the military pay technicians on board at the six locations we audited had received formal training on pay eligibility and pay processing requirements for mobilized Army Guard personnel.

NGB provides annual authorization for the overall staffing levels for each state. Within these overall staffing authorizations, each state allocates positions to each of the sections within a USPFO, including the military pay section and other sections such as vendor and contract pay. We compared the actual number of personnel on board to the NGB-authorized staffing level for the military pay sections at the case study locations we audited. During our audit period, two of the six case study locations had fewer military pay technicians on board than they were authorized.

Officials at several of the six case study units also stated that restrictions on rank/grade at which USPFOs are allowed to hire personnel for their military pay sections made it difficult to recruit and retain employees. For example, a USPFO official told us that retaining personnel in the military pay section of the USPFOs was particularly difficult because similar administrative positions in other sections of the USPFO were typically higher paying and provided better benefits than the positions in the military pay section. The highest pay grade of the nonsupervisory pay technicians at the six case study units was a GS-7, and the majority of personnel were in the GS-6 pay grade.

Although the Army and DFAS have established an agreement that in part seeks to ensure that resources are available to provide appropriately skilled pay personnel at mobilization stations to support surge processing, no such contingency staffing plan exists for the USPFOs. Specifically, a November 2002 memorandum of understanding between the Army and DFAS states that the active Army has primary responsibility to provide trained military or civilian resources to execute active duty pay and allowance surge processing requirements. However, this memorandum does not address the resources needed for surge processing at USPFOs. As discussed previously, pay problems at the case study units were caused in part by USPFO military pay sections attempting to process large numbers of pay transactions without sufficient numbers of knowledgeable personnel.

Lacking sufficient numbers of personnel undermines the ability of the USPFO pay functions to carry out established control procedures. For example, our audits at several of the six case study units showed that there were no independent reviews of proposed pay transactions before they were submitted to DJMS-RC for processing. Such independent supervisory reviews are required by DJMS-RC operating procedures. However, a USPFO official told us that because of the limited number of pay technicians available to process pay transactions—particularly when

processing massive numbers of transactions to start active duty pays at the same time—this requirement was often not followed.

The Chief of Payroll at one of our case study locations told us that because they were currently understaffed, staff members worked 12 to 14 hours a day and still had backlogs of pay start transactions to be entered into the pay system. We were also told that two of our other case study locations experienced backlogs and errors in entering pay start transactions when they were processing large numbers of Army Guard soldiers during initial mobilizations. Military pay personnel told us that they were able to avoid backlogs in processing pay start transactions during mobilization processing by conscripting personnel from other USPFO sections to help in assembling and organizing the extensive paperwork associated with activating appropriate basic pays, entitlements, and special incentive pays for their mobilized Army Guard soldiers.

Training on Pay Entitlement and Processing Requirements Critical

In addition to concerns about the numbers of personnel onboard at the USPFO military pay offices involved in processing pay transactions for our case study units, we identified instances in which the personnel at military pay offices at both the USPFOs and the active Army finance offices did not appear to know the different aspects of the extensive pay eligibility or payroll processing requirements used to provide accurate and timely pays to Army Guard soldiers. There are no DOD or Army requirements for military pay personnel to receive training on pay entitlements and processing requirements associated with mobilized Army Guard soldiers or for monitoring the extent to which personnel have taken either of the recently established training courses in the area. Such training is critical given that military pay personnel must be knowledgeable about the extensive and complex pay eligibility and processing requirements. We also found that such training is particularly important for active Army pay personnel who may have extensive experience and knowledge of pay processing requirements for regular Army soldiers, but may not be well versed in the unique procedures and pay transaction entry requirements for Army Guard soldiers.

During our work at the case study units, we identified numerous instances in which military pay technicians at both the USPFOs and active Army finance office locations made data coding errors when entering transaction codes into the pay systems. We were told that these errors occurred because military pay personnel—particularly those at the active Army finance office locations—were unfamiliar with the system’s pay processing

requirements for active duty pays to mobilized Army Guard personnel. Correcting these erroneous transactions required additional labor-intensive research and data entry by other more skilled pay technicians. As discussed previously, we also found that pay technicians did not understand how to properly code data on the soldiers' dependents status, which is used to determine housing allowances, into the pay system. As a result, we identified cases in which soldiers were underpaid housing allowances to which they were entitled.

Personnel at active Army finance offices told us that while they are readily familiar with the pay processing requirements for active Army personnel (using DJMS-AC), they had little experience with, or training in, the policies and procedures to be followed in entering pay transactions into DJMS-RC. An Army finance office official told us that handling two sets of pay transaction processing procedures is often confusing because they are often required to process a large number of both active Army personnel and Army Guard and other reserve personnel using different processes and systems at the same time.

While the Army Guard offers training for their military pay technicians, we found that there was no overall monitoring of Army Guard pay personnel training. At several of the case study locations we audited, we found that Army Guard pay technicians relied primarily on on-the-job-training and phone calls to the Army Guard Financial Services Center in Indianapolis or to other military pay technicians at other locations to determine how to process active duty pays to activated Army Guard personnel.

Beginning in fiscal year 2002, the Army Guard began offering training on mobilization pays and transaction processing to the USPFO military pay technicians. However, there is no requirement for USPFO pay technicians to attend these training courses. In addition, available documentation showed that two of the five scheduled courses for fiscal year 2003 were canceled—one because of low registration and one because of schedule conflicts.

Only two of the six case study locations we audited tracked the extent to which pay technicians have taken training in this area. We were told that few of the military pay technicians at the state Army Guard USPFOs we audited had formal training on JUSTIS, DJMS-RC, or mobilization pay processing requirements and procedures. Throughout our case studies, we found numerous errors that involved some element of human capital. One payroll clerk told us that she had not received any formal training on how

to operate JUSTIS when she was assigned to the job. Instead, she stated, she has learned how to operate the system through on-the-job training and many phone calls to system support personnel in Indianapolis. She estimated that she was not fully comfortable with all the required transaction processing procedures until she had been on the job for about 7 years.

In addition, unit commanders have significant responsibilities for establishing and maintaining the accuracy of soldiers' pay records. U.S. Army Forces Command Regulation 500-3-3, Reserve Component Unit Commander's Handbook (July 15, 1999) requires unit commanders to (1) annually review and update pay records for all soldiers under their command as part of an annual soldier readiness review and (2) obtain and submit supporting documentation needed to start entitled active duty pay and allowances based on mobilization orders. However, we saw little evidence the commanders of our case study units carried out these requirements. Further, neither Army Guard unit commanders nor active Army commanders were required to receive training on the importance of the pay to on-board personnel reconciliations, discussed previously, as an after-the-fact detective control to proactively identify Army Guard soldiers who should no longer receive active duty pays. We were told that this was primarily because unit commanders have many such administrative duties, and without additional training on the importance of these actions, they may not receive sufficient priority attention.

The lack of unit commander training on the importance of these requirements may have contributed to the pay problems we identified at our case study units. For example, at our Virginia case study location, we found that when the unit was first mobilized, USPFO pay personnel were required to spend considerable time and effort to correct hundreds of errors in the unit's pay records dating back to 1996. Such errors could have been identified and corrected during the preceding years' readiness reviews. Further, we observed many cases in which active duty pays were not started until more than 30 days after the entitled start dates because soldiers did not submit the paperwork necessary to start these pays.

Customer Service Concerns

Through data collected directly from selected soldiers and work at our six case study locations, we identified a recurring soldier concern with the level and quality of customer service they received associated with their pays and allowances when mobilized to active duty. None of the DOD, Army, or Army Guard policies and procedures we examined addressed the

level or quality of customer service that mobilized Army Guard soldiers should be provided concerning questions or problems with their active duty pays. However, we identified several sources that soldiers may go to for customer service or information on any such issues. These include

- their home unit,
- the military pay section of the USPFO of their home state's Army Guard,
- the designated active Army area servicing finance office, and
- a toll free number, 1-888-729-2769 (Pay Army).

While soldiers had multiple sources from which they could obtain service, we found indications that many Army Guard soldiers were displeased with the customer service they received. We found that not all Army Guard soldiers and their families were informed at the beginning of their mobilization of the pays and allowances they should receive while on active duty. This information is critical for enabling soldiers to identify if they were not receiving such pays and therefore require customer service. In addition, as discussed later in this report, we found that the documentation provided to Army Guard soldiers—primarily in the form of leave and earnings statements—concerning the pays and allowances they received did not facilitate customer service. Our audit identified customer service concerns at all three phases of the active duty tours and involving DFAS, active Army, and Army Guard servicing components.

Consistent with the confusion we found among Army Guard and active Army finance components concerning responsibility for processing pay transactions for mobilized Army Guard soldiers, we found indications that the soldiers themselves were similarly confused. Many of the complaints we identified concerned confusion over whether Army Guard personnel mobilized to active duty should be served by the USPFO because they were Army Guard soldiers or by the active Army because they were mobilized to federal service.

Individual Case Illustration: Poor Customer Service

One soldier told us that he submitted documentation on three separate occasions to support the housing allowance he should have received as of the beginning of his October 2001 mobilization. Each time he was told to resubmit the documentation because his previously submitted documents were lost. Subsequently, while he was deployed, he made additional repeated inquiries as to when he would receive his housing allowance pay. He was told that it would be taken care of when he returned from his deployment. However, when he returned from his deployment, he was told that he should have taken care of this issue while he was deployed and that it was now too late to receive this allowance.

Data collected from Army Guard units mobilized to active duty indicated that some members of the units had concerns with the pay support customer service they received associated with their mobilization—particularly with respect to pay issues associated with their demobilization. Specifically, of the 43 soldiers responding to our question on satisfaction with customer support during the mobilization phase, 10 indicated satisfaction, while 15 reported dissatisfaction.¹² In addition, of the 45 soldiers responding to our question on customer support following demobilization, 5 indicated satisfaction while 29 indicated dissatisfaction.¹³ Of the soldiers who provided written comments about customer service, none provided any positive comments about the customer service they received, and several had negative comments about the customer service they received, including such comments as “nonexistent,” “hostile,” or “poor.” For example, a company commander for one of our case study units told us that he was frustrated with the level of customer support his unit received during the initial mobilization process. Only two knowledgeable military pay officials were present to support active duty pay transaction processing for the 51 soldiers mobilized for his unit. He characterized the customer service his unit received at initial mobilization as time consuming and frustrating.

Personnel we talked with at the Colorado special forces unit we audited were particularly critical of the customer service they received both while deployed in Afghanistan and when they were demobilized from active duty. Specifically, unit officials expressed frustration with being routed from one office to another in their attempts to resolve problems with their active

¹²The remaining 18 respondents were either as satisfied as not or had no basis to judge.

¹³The 11 remaining respondents were either as satisfied as not or had no basis to judge.

duty pays and allowances. For example, the unit administrator told us he contacted the servicing area active Army finance office for the 101st Airborne in West Virginia because his unit was attached to the 101st when they were deployed. The finance office instructed him to contact the USPFO in West Virginia because, although he was from a Colorado unit, his unit was assigned to a West Virginia Army Guard unit. However, when he contacted the West Virginia USPFO for service, officials from that office instructed him to contact the USPFO in his home state of Colorado to provide service for his pay problems.

Systems Problems Hamper Prompt and Accurate Army Guard Pay

Several systems issues were significant factors impeding accurate and timely payroll payments to mobilized Army Guard soldiers, including

- the lack of an integrated or effectively interfaced pay system with both the personnel and order-writing systems,
- limitations in DJMS-RC processing capabilities, and
- ineffective system edits of payments and debts.

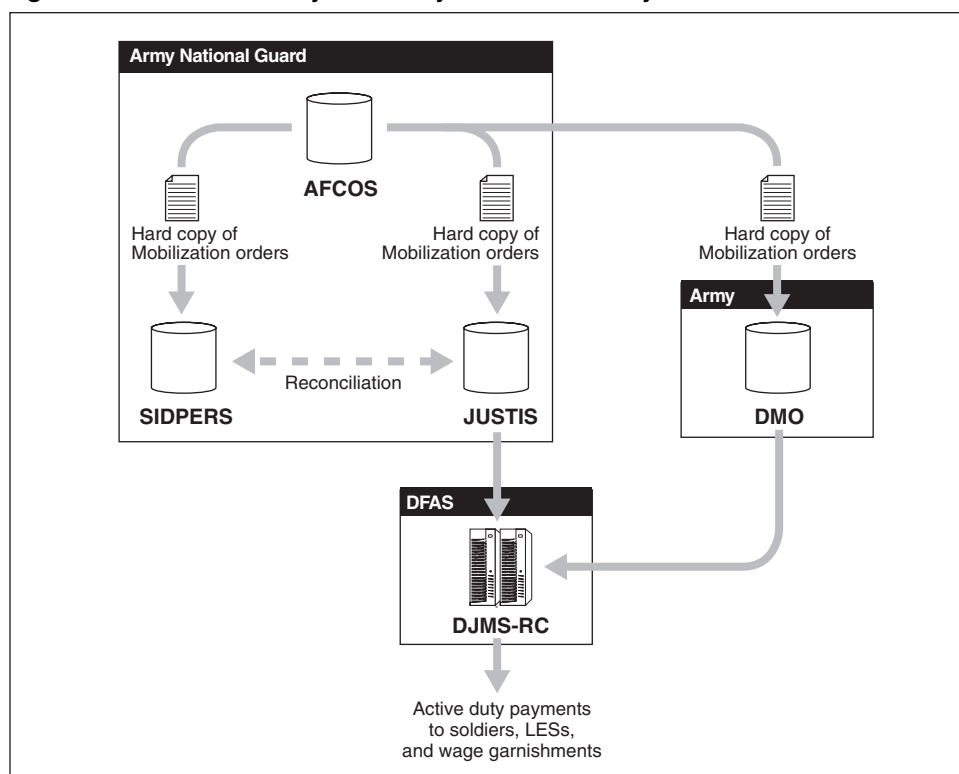
DOD has a significant system enhancement project under way to improve military pay. However, given that the effort has been under way for about 5 years and DOD has encountered challenges fielding the system, it is likely that the department will continue to operate with existing system constraints for at least several more years.

Our findings related to weaknesses in the systems environment were consistent with issues raised by DOD in its June 2002 report¹⁴ to the Congress on its efforts to implement an integrated military pay and personnel system. Specifically, DOD's report acknowledged that major deficiencies in the delivery of military personnel and pay services to ensure soldiers receive timely and accurate personnel and pay support must be addressed by the envisioned system. Further, the report indicated these deficiencies were the direct result of the inability of a myriad of current systems with multiple, complex interfaces to fully support current business process requirements.

¹⁴U.S. Department of Defense, *Report to Congress: Defense Integrated Military Human Resource System (Personnel and Pay)*, (Washington, D.C. June 2002).

Figure 6 provides an overview of the five systems currently involved in processing Army Guard pay and personnel information.

Figure 6: Overview of Army Guard Pay and Personnel Systems



Source: GAO.

Lack of Integrated Systems

The five key DOD systems involved in authorizing, entering, processing, and paying mobilized Army Guard soldiers were not integrated. Lacking either an integrated or effectively interfaced set of personnel and pay systems, DOD must rely on error-prone, manual entry of data from the same source documents into multiple systems. With an effectively integrated system, changes to personnel records automatically update related payroll records from a single source of data input. While not as efficient as an integrated system, an automatic personnel-to-payroll system interface can also reduce errors caused by independent, manual entry of data from the same source documents into both pay and personnel systems. Without an effective interface between the personnel and pay

systems, we found instances in which pay-affecting information did not get entered into both the personnel and pay systems, thus causing various pay problems—particularly late payments.

We found that an existing interface could be used to help alert military pay personnel to take action when mobilization transactions are entered into the personnel system. Specifically, Army Guard state personnel offices used an existing interface between SIDPERS and JUSTIS to transmit data on certain personnel transactions (i.e., transfers, promotions, demotions, and address changes) to the 54 USPFOs to update the soldier's pay records. However, this personnel-to-pay interface (1) requires manual review and acceptance by USPFO pay personnel of the transactions created in SIDPERS and (2) does not create pay and allowance transactions to update a soldier's pay records. For example, when Army Guard soldiers change from inactive drilling status to active duty status, state personnel offices create personnel-related transactions in SIDPERS, but associated pay-related transactions to update the soldier's pay records are not automatically created in JUSTIS. USPFO pay personnel are not aware that a pay-related transaction is needed until they receive documentation from the soldier, the soldier's unit commander, or the monthly personnel/pay mismatch report. Automated improvements, such as an administrative action transmitted through the personnel-to-payroll interface, could be used to proactively alert USPFOs of certain pay-impacting transactions that are created in SIDPERS as a means to help ensure timely and accurate pay.

In our case studies, we found instances in which mobilization order data that were entered into SIDPERS were either not entered into DJMS-RC for several months after the personnel action or were entered inconsistently. At the case study locations we audited, we found several instances in which Army Guard soldiers received amended or revoked orders that were entered into SIDPERS but were not entered into DJMS-RC. We also found instances in which personnel pay-affecting changes such as changes in family separation allowance, basic allowance for housing, and active duty pay increases from promotions, were not entered into the pay system promptly. Consequently, these soldiers either received active duty pays they were not entitled to receive—some for several months—or did not timely receive active duty pays to which they were entitled.

Individual Case Illustration: Overpayment due to Lack of Integrated Pay and Personnel Systems

A soldier with the Mississippi Army National Guard was mobilized in January 2002 with his unit and traveled to the mobilization station at Fort Campbell. The unit stayed at Fort Campbell to perform post security duties until June 2002. On June 14, 2002, the E-4 specialist received a "general" discharge order from the personnel office at Fort Campbell for a drug-related offense. However, he continued to receive active duty pay, totaling approximately \$9,400, until September 2002. Although the discharge information was promptly entered into the soldier's personnel records, it was not entered into the pay system for almost 4 months. This problem was caused by weaknesses in the processes designed to work around the lack of integrated pay and personnel systems. Further, the problem was not detected because reconciliations of pay and personnel data were not performed timely. Specifically, it was not until over 3 months after the soldier's discharge, through its September 2002 end-of-month reconciliation, that the Mississippi Army National Guard USPFO identified the overpayment and took action on October 2, 2002, to stop the individual's pay. However, collection efforts on the \$9,400 overpayment did not begin until July 2003, when we pointed out this situation to USPFO officials.

The lack of an integrated set of systems was also apparent in the relationship between JUSTIS and the order writing system—AFCOS. Currently, certain personnel and order information entered and stored in the AFCOS database is automatically filled in the JUSTIS input screens pertaining to active duty tours for state missions upon entry of the soldier's Social Security Number and order number. This auto-fill functionality eliminates the need for some error-prone, manual reentry of data into JUSTIS. However, currently, manual entry of data from a hard copy of the soldier's orders and other documentation is required to initiate the soldier's pay and allowances—a procedure that defeats the purpose of an effective interface. For example, at one of the case study units we audited, USPFO pay personnel had to manually enter the soldier's active duty tour start and stop dates into JUSTIS from a hard copy of the actual mobilization order.

When we brought this to the attention of NGB officials, they stated that providing the auto-fill functionality to the mobilization input screens would require minimal programming changes. NGB officials stated that they planned to release a programming software change to all 54 USPFOs that would allow the start and stop dates to be automatically filled into the mobilization screens to reduce the need for reentry of some mobilization information. Because this software change was scheduled to occur after the conclusion of our fieldwork, we did not verify its effectiveness. In any case, while this proposed programming change may be beneficial, it does

not eliminate the need for manual entry and review of certain other mobilization data needed to initiate a soldier's basic pay and allowances.

Pay System Has Limited Active Duty Pay Processing Capabilities

DOD has acknowledged that DJMS-RC is an aging, COBOL/mainframe-based system. Consequently, it is not surprising that we found DFAS established a number of “workarounds”—procedures to compensate for existing DJMS-RC processing limitations with respect to processing active duty pays and allowances to mobilized Army guard soldiers. Such manual workarounds are inefficient and create additional labor-intensive, error-prone transaction processing. We observed a number of such system workaround procedures at the case study units we audited.

For example, for the special forces units we audited, our analysis disclosed a workaround used to exclude soldiers' pay from federal taxes while in combat. Specifically, DJMS-RC was not designed to make active duty pays and exclude federal taxes applicable to those pays in a single pay transaction. To compensate for this system constraint, DFAS established a workaround that requires two payment transactions over a 2-month payroll cycle to properly exempt soldiers' pay for the combat zone tax exclusion. That is, for those soldiers entitled to this exclusion, DJMS-RC withholds federal taxes the first month, identifies the taxes to be refunded during end-of-month pay processing, and then makes a separate payment during the first pay update the following month to refund the taxes that should not have been withheld. Soldiers' taxes could not be refunded the same month because the DJMS-RC refund process occurs only one time a month.

In addition, because of limited DJMS-RC processing capabilities, the Army Guard USPFO and in-theatre active Army area servicing finance office pay technicians are required to manually enter transactions for nonautomated pay and allowances every month. DJMS-RC was originally designed to process payroll payments to Army Reserve and Army Guard personnel on weekend drills or on short periods of annual active duty (periods of less than 30 days in duration) or for training. With Army Guard personnel now being paid from DJMS-RC for extended periods of active duty (as long as 2 years at a time), DFAS officials told us that the system is now stretched because it is being used to make payments and allowances that it was not structured or designed to make, such as hostile fire pay and the combat zone tax exclusion. Many of these active duty pay and allowances require manual, monthly verification and reentry into DJMS-RC because, while some pays, such as basic active duty pay and jump pay, can be generated

automatically, DJMS-RC is not programmed to generate automatic payment of certain other types of pay and allowances.

For example, each month USPFO pay personnel are responsible for entering into JUSTIS special duty assignment pay, foreign language proficiency pay, and high altitude low opening (HALO) pay, and Army area servicing finance offices are responsible for entering into DMO hardship duty pay, for deployed soldiers entitled to these types of pays and for which a performance certification is received from the respective unit commanders. However, because pay transactions must be manually entered every month soldiers are entitled to receive these pays, it is often difficult to ensure that mobilized soldiers receive their entitled nonautomated pays and allowances. For example, we found a number of instances in which soldiers were underpaid their entitled jump, foreign language proficiency, special duty assignment, or hardship duty pays because pay technicians inadvertently omitted the monthly manual input required to initiate these types of pays every month.

At one of the case study units, we found USPFO pay personnel had a procedure in place to help prevent inadvertently omitting month-to-month entry of nonautomated pays for entitled soldiers. Specifically, pay personnel at the USPFO in Maryland used a warning screen within JUSTIS as a mechanism to alert them that soldiers were eligible to receive that particular pay component that month. Although this does not alleviate the problem of month-to-month manual entry, the warning screen could be used to help preclude some of the pay problems we found resulting from failures to enter transactions for nonautomated, month-to-month pay and allowance entitlements.

Further, these month-to-month pays and allowances were not separately itemized on the soldiers' leave and earnings statements in a user-friendly format.

In contrast, at four of our six case study units, we found that a significant number of soldiers were overpaid their entitled automated pays when they were demobilized from active duty before the stop date specified in their original mobilization orders. This occurred because pay technicians did not update the stop date in DJMS-RC, which is necessary to terminate the automated active duty pays when soldiers leave active duty early. For example, the military finance office in Kuwait, which was responsible for paying Virginia 20th Special Forces soldiers in the fall of 2002, did not stop hostile fire and hardship duty pays as required when these soldiers left

Afghanistan in October 2002. We found that 55 of 64 soldiers eligible for hostile fire pay were overpaid for at least 1 month beyond their departure from Afghanistan.

Individual Case Illustration: Problems in Deciphering a Leave and Earnings Statement

An Army National Guard Special Forces sergeant believed that he was not receiving certain active duty pays and allowances during his mobilization to active duty in support of Operation Enduring Freedom. On March 23, 2002, the sergeant wrote a letter from Afghanistan to a fellow battalion soldier back in his home state, discussing his pay problems. The sergeant stated that he was not receiving his special duty assignment pay from November 2001 to March 2002. The sergeant's letter also stated he was not receiving his hostile fire pay and combat zone tax exclusion. His letter concluded, "Are they really fixing pay issues or are they putting them off till we return? If they are waiting, then what happens to those who (god forbid) don't make it back?" The sergeant was killed in action in Afghanistan on April 15, 2002, before he knew if his pay problems were resolved. Our review determined that some of the sergeant's pays were started up to 2 months late, but others had actually been paid properly. The sergeant apparently was not aware of receiving these payments because of the way they were combined.

Soldiers' pays may appear as lump sum payments under "other credits" on their leave and earnings statements. In many cases these other credit pay and allowances appeared on their leave and earning statements without adequate explanation. As a result, we found indications that Army Guard soldiers had difficulty using the leave and earnings statements to determine if they received all entitled active duty pays and allowances. In addition, several Army Guard soldiers told us that they had difficulty discerning from their leave and earnings statements whether lump sum catch-up payments fully compensated them for previously underpaid active duty pay and allowance entitlements. Without such basic customer service, the soldiers cannot readily verify that they received all the active duty pays and allowances to which they were entitled.

As shown in the example leave and earnings statement extract included in figure 7, an Army Guard soldier who received a series of corrections to special duty assignment pay along with a current special duty assignment payment of \$110 is likely to have difficulty discerning whether he or she received all and only entitled active duty pays and allowances.

Figure 7: Sample Army Guard Leave and Earnings Statement

DEFENSE FINANCE AND ACCOUNTING SERVICE MILITARY LEAVE AND EARNINGS STATEMENT																	
ID	NAME (LAST, FIRST, MI)			SOC. SEC. NO.	GRADE	PAY DATE	YRS SVC	ETS	BRANCH	ADSN/DSSN	PERIOD COVERED						
	DOE JACK A			000 00 0000	E07	840330	18	060501	ARNG	5570	CHK DT 021030						
ENTITLEMENTS				DEDUCTIONS				ALLOTMENTS				SUMMARY					
TYPE		AMOUNT		TYPE		AMOUNT		TYPE		AMOUNT		+AMT FWD					
OTHER CREDITS		716.31		FED INC TAX		.45						+TOT ENT 716.31					
												-TOT DED .45					
												-TOT ALMT					
												+NET AMT 715.86					
												-CR FWD					
												+EOM PAY					
												DIEMS					
												RET PLAN					
TOTAL		716.31				45											
LEAVE	BF BAL	ERND	USED	CR BAL	ETS BAL	LV LOST	LV PAID	USE/LOSE	FED TAXES	WAGE PERIOD	WAGE YTD	M/S	EX	ADD'L TAX	TAX YTD		
									716.31	16044.48	S	0		.00	1651.02		
FICA TAXES	WAGE PERIOD	SOC WAGE YTD	SOC TAX YTD	MED WAGE YTD	MED TAX YTD	STATE TAXES	ST	WAGE PERIOD	WAGE YTD	M/S	EX	TAX YTD					
	.00	28181.34	1747.24	28181.34	408.65	VA	716.31	16044.48	S	0		649.50					
PAY DATA	BAQ TYPE	BAQ DEPN	VHA ZIP	RENT AMT	SHARE	STAT	JFTR	DEPN	2D JFTR	BAS TYPE	CHARITY YTD	TPC	PACIDN				
	W DEP	SPOUSE	000000							STANDA	A						
Thrift Savings Plan (TSP)	BASE PAY RATE	BASE PAY CURRENT	SPEC PAY RATE	SPEC PAY CURRENT	INC PAY RATE	INC PAY CURRENT	BONUS PAY RATE	BONUS PAY CURRENT									
	0%	.00	0%	.00	0%	.00	0%	.00									
	TSP YTD DEDUCTIONS		DEFERRED		EXEMPT												
	.00		.00		.00												
REMARKS	YTD ENTITLE		48781.26		YTD DEDUCT		7661.86										
<p>YOUR CHECK WAS SENT TO: FEDERAL CREDIT UN 000000000</p> <p>ACCOUNT NUMBER: AMOUNT: \$715.86</p> <p>COMPANY CODE: ACCOUNT TYPE: CHECKING</p> <p>* AS OF 19 APR 02, 036 HIGH TEMPO DEPLOYMENT DAYS ACCRUED</p> <p>SINCE 1 OCT 00 (OR SINCE ENTERING MILITARY SERVICE)</p> <p>TOTAL PERFORMANCE FY 03: UTA 00 AFTP 00 ET 00 ATA 00</p> <p>JPT 00 AATA 00 AANT 00 RMA 00 SUP IDT TNG 00</p> <p>MODEL 00 RMAM 00 AT/ADT 015 FHDA 000</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$3.67 980501 980501</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$7.33 980301 980302</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$7.33 980901 980902</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$7.33 011130 011130</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$7.33 980201 980203</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$11.00 990601 990603</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$14.67 010301 010304</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$14.67 010701 010704</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$14.67 990201 990201</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$14.66 011117 011118</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$18.33 010201 010205</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$18.33 010401 010405</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$18.33 010601 010605</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$18.33 990501 990505</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$21.99 011201 011203</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$22.00 000501 000506</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$40.33 010501 010511</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$55.00 980601 980615</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$66.67 990701 990719</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$66.67 990801 990819</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$69.67 980901 980919</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$84.33 980801 980823</p> <p>ADJUSTMENT PAY: TAXAB PAY NO FICA \$110.00 020901 020930</p> <p>YOUR CURRENT STATE CLAIMED IS: VIRGINIA</p>																	
<p>TSP OPEN SEASON IS 15 OCT-31 DE</p> <p>BASIC PAY IN 2003. LOGON TO HT</p> <p>VISIT YOUR PERSONNEL OFFICE TO</p>																	

Source: Individual Leave and Earnings Statement.

System Edits Do Not Prevent Large Payments or Debts

While DJMS-RC has several effective edits to prevent certain overpayments, it lacks effective edits to reject large proposed net pays over \$4,000 at midmonth and over \$7,000 at end-of-month before their final processing. DOD established these thresholds to monitor and detect abnormally large payments. As a result of the weaknesses we identified, we found several instances in our case studies in which soldiers received large lump sum payments, probably related to previous underpayments or other pay errors, with no explanation. Further, the lack of preventive controls over large payments poses an increased risk of fraudulent payments. DJMS-RC does have edits that prevent soldiers from (1) being paid for pay and allowances beyond the stop date for the active duty tour, (2) being paid for more than one tour with overlapping dates, or (3) being paid twice during a pay period.

Each month, DFAS Indianapolis pay personnel receive an Electronic Fund Transfer Excess Dollar Listing after the electronic fund transfer payment has been processed in DJMS-RC and deposited to the soldier's bank account. DJMS-RC does not contain edit checks to reject payments over the threshold amounts or to require review and approval of payments over these amounts prior to their final processing. For example, at one of the case study units we audited, DJMS-RC did not have edit checks to prevent one soldier from receiving an erroneous electronic payment totaling \$20,110 without prior approval (see the individual case illustration below for details). In addition, our analysis showed 76 other payroll-related payments during the period October 1, 2001, through March 31, 2003, of over \$7,000 (net) each that were paid by DJMS-RC. Because the Electronic Fund Transfer Excess Dollar Listing is printed after the payment is made, timely detection of errors is critical to help ensure that erroneous payments are recovered and that fraud does not occur.

Similarly, DJMS-RC does not have system edits to prevent large debts from being assessed without review and approval prior to being processed and does not provide adequate explanations for pay-related debt assessments. Our case studies identified individuals who received debt notices in excess of \$30,000 with no explanation. At five of the 6 units audited, we identified 86 individuals who had total pay and allowance debts of approximately \$300,000 as of March 31, 2003.

Individual Case Illustration: System Edits Do Not Prevent Large Payments and Debts

A sergeant with the Colorado Army National Guard, Special Forces, encountered numerous severe pay problems associated with his mobilization to active duty, including his deployment to Afghanistan in support of Operation Enduring Freedom. The sergeant's active duty pay and other pay and allowances should have been stopped on December 4, 2002, when he was released from active duty. However, because the sergeant's mobilization orders called him to active duty for 730 days and not the 365 days that he was actually mobilized, and the Army area servicing finance office at the demobilization station, Fort Campbell, did not enter the release from active duty date into DJMS-RC, the sergeant continued to improperly receive payments, as if he were still on active duty, for 2 and a half months after he was released from active duty totaling over \$8,000. The sergeant was one of 34 soldiers in the company whose pay continued after their release from active duty. In an attempt to stop the erroneous payments, in February 2003, pay personnel at the Colorado USPFO created a transaction to cancel the tour instead of processing an adjustment to amend the stop date consistent with the date on the Release from Active Duty Order. When this occurred, DJMS-RC automatically processed a reversal of 11 months of the sergeant's pay and allowances that he earned while mobilized from March 1, 2002, through February 4, 2003, which created a debt in the amount of \$39,699 on the soldier's pay record; however, the reversal should have only been from December 5, 2002, through February 4, 2003. In April 2003, at our request, DFAS-Indianapolis personnel intervened in an attempt to correct the large debt and to determine the actual amount the sergeant owed. In May 2003, DFAS-Indianapolis erroneously processed a payment transaction instead of a debt correction transaction in DJMS-RC. This created a payment of \$20,111, which was electronically deposited to the sergeant's bank account without explanation, while a debt of \$30,454 still appeared on his Leave and Earnings Statement. About 9 months after his demobilization, the sergeant's unpaid debt balance was reportedly \$26,559, but the actual amount of his debt had not yet been determined as of September 2003.

In addition, we found that current procedures used to notify soldiers of large payroll-related debts did not facilitate customer service. Under current procedures, if a soldier is determined to owe the government money while on active duty, he is assessed a debt and informed of this assessment with a notation of an "Unpaid Debt Balance" in the remarks section of his Leave and Earnings Statement. A soldier at one of our case study units told us that he was not notified in advance of his receipt of his Leave and Earnings Statement that he had a debt assessment and that two-thirds of his pay would be garnished. As a result, he was not able to plan his financial affairs to avoid late payments on his car and other loans.

This debt assessment notification procedure is even more egregious when debts, particularly large debts, are assessed in error and up to two-thirds of

the soldier's pay may be garnished to begin repaying the erroneous debt. For example, at our case study units, we found that the only notice several soldiers received when they were erroneously assessed payroll debts was an "Unpaid Debt Balance" buried in the remarks section of their Leave and Earnings Statements. One such assessment showing a \$39,489.28 debt is shown in figure 8.

DEFENSE FINANCE AND ACCOUNTING SERVICE MILITARY LEAVE AND EARNINGS STATEMENT																													
ID	NAME (LAST, FIRST, MI)			SOC. SEC. NO.	GRADE	PAY DATE	YRS SVC	ETS	BRANCH	ADSN/DSSN	PERIOD COVERED																		
	DOE JOHN			000 00 0000	E05	911113	11	071109	ARNG	5570	CHK DT 030307																		
ENTITLEMENTS		DEDUCTIONS				ALLOTMENTS				SUMMARY																			
TYPE AMOUNT		TYPE AMOUNT		TYPE AMOUNT		TYPE AMOUNT		TYPE AMOUNT		TYPE AMOUNT		TYPE AMOUNT																	
A B C D E F G H I J K L M N O	BASIC PAY 372.80		FED INC TAX 21.52								+AMT FWD																		
	INCENTIVE PAY 25.00		FICA TAX 28.52								+TOT ENT 397.80																		
			STATE INC TAX 12.60								-TOT DED 292.76																		
			SGLI 20.00								-TOT ALMT																		
			DEBT PAYMENT 210.12								+NET AMT 105.04																		
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TOTAL 397.80		292.76																											
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LEAVE		372.80		3728.00		231.14		3728.00		54.06		STATE TAXES		ST WAGE PERIOD		WAGE YTD		M/S EX		TAX YTD		397.80		3978.00		M 01		215.17	
FICA TAXES		372.80		3728.00		231.14		3728.00		54.06		STATE TAXES		ST WAGE PERIOD		WAGE YTD		M/S EX		TAX YTD		397.80		3978.00		M 01		126.00	
PAY DATA		BAQ TYPE		BAQ DEPN		VHA ZIP		RENT AMT		SHARE		STAT		JFTR		DEPNs		2D JFTR		BAS TYPE		CHARITY YTD		TPC		PACIDN			
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Thrift Savings Plan (TSP)		BASE PAY RATE		BASE PAY CURRENT		SPEC PAY RATE		SPEC PAY CURRENT		INC PAY RATE		INC PAY CURRENT		BONUS RATE		BONUS PAY CURRENT													
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REMARKS															YTD ENTITLE 5819.25 YTD DEDUCT 896.49														
YOUR CHECK WAS SENT TO: USAA FEDERAL SAVINGS BANK 0000000000															AMOUNT: \$105.04														
ACCOUNT NUMBER:															ACCOUNT TYPE: CHECKING														
COMPANY CODE:															DIRECT DEPOSIT DATE: 03/07/03														
* AS OF 13 MAY 02 163 HIGH TEMPO DEPLOYMENT DAYS ACCRUED															SINCE 1 OCT 00 (OR SINCE ENTERING MILITARY SERVICE)														
PAY & ALLOW DEBT (DQ03) DEBT BALANCE \$9,443.68																													
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BASIC PAY DEBT BALANCE \$3,355.20																													
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UNPAID DEBT BALANCE *TOTAL* \$39,489.28																													
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Status of System Redesign Efforts

DOD has a major system enhancement effort under way in this area described as the largest personnel and pay system in the world in both scope and number of people served—the Defense Integrated Military Human Resources System (DIMHRS). One of the major benefits expected with DIMHRS is “service members receiving accurate and timely pay and benefits.” Begun in 1998, DIMHRS is ultimately intended to replace more than 80 legacy systems (including DJMS-RC) and integrate all pay, personnel, training, and manpower functions across the department by 2007.

By the end of fiscal year 2003, DOD reporting shows that it will have invested over 5 years and about \$360 million in conceptualizing and planning the system. In 2002, DOD estimated that integrated personnel and pay functions of DIMHRS would be fully deployed by fiscal year 2007. It also reported a development cost of about \$427 million. However, our review of the fiscal year 2004 DOD Information Technology budget request shows that DOD is requesting \$122 million and \$95 million, respectively, for fiscal years 2004 and 2005. In addition, the department reported that the original DIMHRS project completion milestone date has slipped about 15 months.

Part of the requested funding for fiscal year 2004 was to acquire a payroll module, Forward Compatible Payroll. According to program officials, this module, in conjunction with a translation module and a Web services component, is to replace DJMS-RC and DJMS-AC systems by March 2006, with the first deployment to the Army Reserve and Army Guard in March 2005.

In assessing the risks associated with DIMHRS implementation as part of its fiscal year 2004 budget package, DOD highlighted 20 such risks. For example, DOD reported a 60 percent risk associated with “Service issues with business process reengineering and data migration.” The department’s ability to effectively mitigate such risks is of particular concern given its poor track record in successfully designing and implementing major systems in the past.¹⁵ Consequently, given the schedule slippages that have already occurred combined with the many risks associated with DIMHRS implementation, Army Guard soldiers will

¹⁵See, for example, U.S. General Accounting Office, *DOD Business Systems Modernization: Continued Investment in Key Accounting Systems Needs to Be Justified*, GAO-03-465 (Washington, D.C.: Mar. 28, 2003).

likely be required to rely on existing pay systems for at least several more years.

Army Guard Active Duty Pay Problems Continue with Current Deployments to Iraq

Our limited review of the pay experiences of the soldiers in the Colorado Army Guard's 220th Military Police Company, which was mobilized to active duty in January 2003, sent to Kuwait in February 2003, and deployed to Iraq on military convoy security and highway patrol duties in April 2003, indicated that some of the same types of pay problems that we found in our six case study units continued to occur. Of the 152 soldiers mobilized in this unit, we identified 54 soldiers who our review of available records indicated were either overpaid, underpaid, or received entitled active duty pays and allowances over 30 days late, or for whom erroneous pay-related debts were created. We found that these pay problems could be attributed to control breakdowns similar to those we found at our case study units, including pay system input errors associated with amended orders, delays and errors in coding pay and allowance transactions, and slow customer service response. For example, available documentation and interviews indicate that while several soldiers submitted required supporting documentation to start certain pays and allowances at the time of their initial mobilization in January 2003, over 20 soldiers were still not receiving these pays in August 2003. Colorado USPFO military pay-processing personnel told us they are reviewing pay records for all deployed soldiers from this unit to ensure that they are receiving all entitled active duty pays and allowances.

Conclusions

The extensive problems we identified at the case study units vividly demonstrate that the controls currently relied on to pay mobilized Army Guard personnel are not working and cannot provide reasonable assurance that such pays are accurate or timely. The personal toll that these pay problems have had on mobilized soldiers and their families cannot be readily measured, but clearly may have a profound effect on reenlistment and retention. It is not surprising that cumbersome and complex processes and ineffective human capital strategies, combined with the use of an outdated system that was not designed to handle the intricacies of active duty pay and allowances, would result in significant pay problems. While it is likely that DOD will be required to rely on existing systems for a number of years, a complete and lasting solution to the pay problems we identified will only be achieved through a complete reengineering, not only of the automated systems, but also of the supporting processes and human

capital practices in this area. However, immediate actions can be taken in these areas to improve the timeliness and accuracy of pay and allowance payments to activated Army Guard soldiers. The need for such actions is increasingly imperative in light of the current extended deployment of Army Guard soldiers in their crucial role in Operation Iraqi Freedom and anticipated additional mobilizations in support of this operation and the global war on terrorism. Immediate steps to at least mitigate the most serious of the problems we identified are needed to help ensure that the Army Guard can continue to successfully fulfill its vital role in our national defense.

Recommendations for Executive Action

We recommend that the Secretary of Defense direct the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller), to take the following actions to address the issues we found with respect to the existing processes, human capital, and automated systems relied on to pay activated Army Guard personnel.

Process

- Establish a unified set of policies and procedures for all Army Guard, Army, and DFAS personnel to follow for ensuring active duty pays for Army Guard personnel mobilized to active duty.
- Establish performance measures for obtaining supporting documentation and processing pay transactions (for example, no more than 5 days would seem reasonable).
- Establish who is accountable for stopping active duty pays for soldiers who return home earlier than their units.
- Clarify the policies and procedures for how to properly amend active duty orders, including medical extensions.
- Require Army Guard commands and unit commanders to carry out complete monthly pay and personnel records reconciliations and take necessary actions to correct any pay and personnel record mismatches found each month.
- Update policies and procedures to reflect current legal and DOD administrative requirements with respect to active duty pays and

allowances and transaction processing requirements for mobilized Army Guard soldiers.

Human Capital

- Consider expanding the scope of the existing memorandum of understanding between DFAS and the Army concerning the provision of resources to support surge processing at mobilization and demobilization sites to include providing additional resources to support surge processing for pay start and stop transaction requirements at Army Guard home stations during initial soldier readiness programs.
- Determine whether issues concerning resource allocations for the military pay operations identified at our case study units exist at all 54 USPFOs, and if so, take appropriate actions to address these issues.
- Determine whether issues concerning relatively low-graded military pay technicians identified at our case study units exist at all 54 USPFOs, and if so, take appropriate actions to address these issues.
- Modify existing training policies and procedures to require all USPFO and active Army pay and finance personnel responsible for entering pay transactions for mobilized Army Guard soldiers to receive appropriate training upon assuming such duties.
- Require unit commanders to receive training on the importance of adhering to requirements to conduct annual pay support documentation reviews and carry out monthly reconciliations.
- Establish an ongoing mechanism to monitor the quality and completion of training for both pay and finance personnel and unit commanders.
- Identify and evaluate options for improving customer service provided to mobilized Army Guard soldiers by providing improved procedures for informing soldiers of their pay and allowance entitlements throughout their active duty mobilizations.
- Identify and evaluate options for improving customer service provided to mobilized Army Guard soldiers to ensure a single, well-advertised source for soldiers and their families to access for customer service for any pay problems.

-
- Review the pay problems we identified at our six case study units to identify and resolve any outstanding pay issues for the affected soldiers.
-

Systems

Interim Improvements to Current Automated Pay System Structure

- Evaluate the feasibility of using the personnel-to-pay interface as a means to proactively alert pay personnel of actions needed to start entitled active duty pays and allowances.
- Evaluate the feasibility of automating some or all of the current manual monthly pays, including special duty assignment pay, foreign language proficiency pay, hardship duty pay, and HALO pay.
- Evaluate the feasibility of eliminating the use of the “other credits” for processing hardship duty (designated areas), HALO pay, and special duty assignment pay, and instead establish a separate component of pay for each type of pay.
- Evaluate the feasibility of using the JUSTIS warning screen to help eliminate inadvertent omissions of required monthly manual pay inputs.
- Evaluate the feasibility of redesigning Leave and Earnings Statements to provide soldiers with a clear explanation of all pay and allowances received so that they can readily determine if they received all and only entitled pays.
- Evaluate the feasibility of establishing an edit check and requiring approval before processing any debt assessments above a specified dollar amount.
- Evaluate the feasibility of establishing an edit check and requiring approval before processing any payments above a specified dollar amount.

Longer-Term System Improvements

- As part of the effort currently under way to reform DOD’s pay and personnel systems—referred to as DIMHRS—incorporate a complete understanding of the Army Guard pay problems as documented in this report into the requirements development for this system.

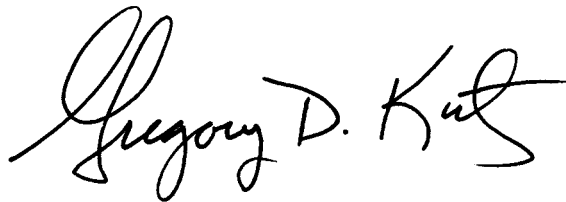
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- In developing DIMHRS, consider a complete reengineering of the processes and controls and ensure that this reengineering effort deals not only with the systems aspect of the problems we identified, but also with the human capital and process aspects.

Agency Comments and our Evaluation

In its written comments, DOD concurred with our recommendations and identified actions to address the identified deficiencies. Specifically, DOD's response outlined some actions already taken, others that are underway, and further planned actions with respect to our recommendations. If effectively implemented, these actions should substantially resolve the deficiencies pointed out in our report. DOD's comments are reprinted in appendix VIII.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its date. At that time, we will send copies of the report to interested congressional committees. We will also send copies of this report to the Secretary of Defense, the Under Secretary of Defense (Comptroller), the Secretary of the Army, the Director of the Defense Finance and Accounting Service, the Director of the Army National Guard, and the Chief of the National Guard Bureau. We will make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>. If you or your staff have any questions regarding this report, please contact me at (202) 512-9505 or kutzg@gao.gov or Geoffrey Frank, Assistant Director, at (202) 512-9518 or frankg@gao.gov.

Sincerely yours,

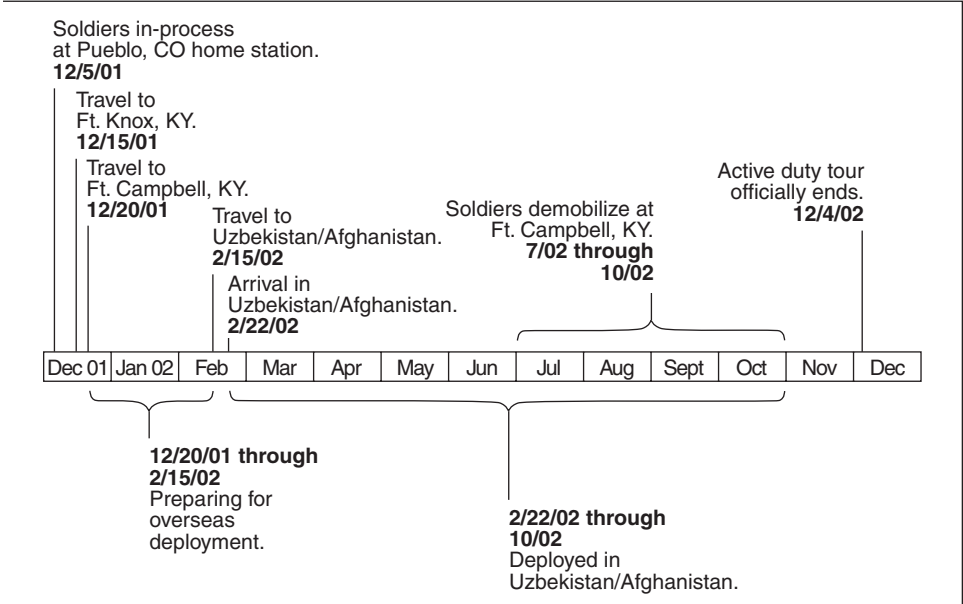


Gregory D. Kutz
Director, Financial Management and Assurance

Colorado Army National Guard B Company, 5th Battalion, 19th Special Forces

On December 5, 2001, the Colorado Army National Guard’s B Company, 5th Battalion, 19th Special Forces, was mobilized to active duty on orders for a 2-year period—through December 4, 2003. The unit was mobilized at Fort Knox and subsequently deployed in Afghanistan, Uzbekistan, and surrounding areas to search for Taliban and al Qaeda terrorists as part of Operation Enduring Freedom. The unit returned to Fort Campbell for demobilization and was released from active duty on December 4, 2002—1 year before the end of the unit’s original mobilization orders. A timeline of the unit’s actions associated to its mobilization under Operation Enduring Freedom is shown in figure 9.

Figure 9: Timeline Showing Key Actions Associated with Colorado National Guard Special Forces Unit’s Mobilization



Source: GAO

As summarized in table 3, the majority of soldiers from Colorado’s B Company experienced some sort of pay problem during one or more of the three phases of their active duty mobilization. Overall, all 62 soldiers with the company had at least one pay problem associated with their mobilization. These pay problems included not receiving entitled pays and allowances at all; not receiving some entitled pays and allowances within 30 days; and for some, overpayments of pays and allowances. Specifically,

we found (1) 56 soldiers did not receive certain pay and allowance entitlements at all, or within 30 days of their initial mobilization, (2) 61 soldiers either did not receive, or did not receive within 30 days, the hostile fire pay or other “high-risk location” pays they were entitled to receive based on their deployment in Uzbekistan and Afghanistan, and (3) 53 soldiers either improperly continued to receive hostile fire pay after leaving high-risk locations overseas or continued to receive paychecks, as if they were still on active duty status, for over 2 months beyond their release from active duty.

Table 3: Summary of Identified Pay Problems by Phase

Phase	Number of soldiers with pay problems
Mobilization	56 of 62
Deployed	61 of 62
Demobilization	53 of 62

Source: GAO analysis.

In total, we identified estimated overpayments of \$494,000, underpayments of \$28,000, and late payments of \$64,000, associated with the pay problems we found. Of the estimated \$494,000 in overpayments, we identified about \$88,000 that was subsequently collected from the soldiers of Colorado’s B Company. In addition, in trying to correct overpayments associated with Colorado B Company’s departure from high-risk locations and release from active duty, the Defense Finance and Accounting Service (DFAS) billed 34 of the unit’s soldiers an average of \$48,000 each, for a largely erroneous total debt of over \$1.6 million.

Many soldiers with the company characterized the service they received from the state United States Property and Fiscal Office (USPFO) and the active Army finance offices while deployed in Afghanistan and surrounding areas as “poor” or “openly hostile.” Some of the soldiers in the unit expressed significant dissatisfaction with the time and effort they, or their spouses were required to spend attempting to identify and correct their pay.

These pay problems had a variety of adverse effects. The labor-intensive efforts by the special forces soldiers to address pay problems, in some cases, distracted them from important mission operations. In addition, several soldiers told us that the numerous pay problems they encountered

would play a major role in their decision whether to reenlist. According to several soldiers from Colorado's B Company, the combined effect of (1) recurring pay problems, (2) having two-thirds of their monthly training paychecks garnished to pay off often erroneous payroll-related debts, and (3) receiving poor payroll customer service during their active duty tours adversely affects morale and may have an adverse effect on a soldier's willingness to continue his or her service with the Army Guard. For example, a unit official advised us that as of September 30, 2003, three soldiers had left B Company primarily due to frustration over pay problems. The unit official indicated that he expected additional soldiers would depart as a result of the current debt problems.

Mobilization Pay Problems

As summarized in table 4, we identified a number of pay problems associated with eight different types of active duty pays and allowances related to the unit's mobilization to active duty. These problems resulted from failure to enter data, data entry errors, or late entry of data needed by Army Guard USPFO military pay personnel and by active Army military pay personnel at the unit's mobilization station to start active duty pays. We also found that these pay problems were exacerbated by breakdowns in customer service.

Table 4: Identified Mobilization Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowance within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Basic pay	5	2	0
Basic allowance for housing	5	3	0
Basic allowance for subsistence	6	4	0
Family separation allowance	7	7	1
Jump pay	11	2	0
HALO pay	10	2	8
Foreign language proficiency pay	4	0	0
Special duty assignment pay	44	41	2

Source: GAO analysis.

In total, 56 out of 62 soldiers did not receive certain pays and allowances at all, or in a timely manner, after being activated on December 5, 2001. As illustrated in table 4, 11 soldiers did not receive entitled Jump pay within 30 days of entitlement,¹ 10 did not receive HALO pay within 30 days of entitlement,² and 41 soldiers did not receive at least 1 month of their special duty assignment pay.³

According to DFAS procedures, the unit's Army Guard USPFO should have initiated these pays. In addition, these problems could have been minimized if they were identified and corrected by the Army mobilization station finance office at Fort Knox during the soldier readiness processing at that location. According to Army regulations, the active Army mobilization station is required to conduct a soldier readiness program to review every mobilizing soldier's pay account for accuracy. In essence, under Department of Defense (DOD) guidance, the active Army mobilization stations are to act as a "safety net" to catch and correct any errors in soldiers' active duty pays and allowances before they are deployed on their active duty missions.

The underpayments and late payments resulted in adverse financial repercussions for a number of the unit's members and their families. We were told that many of the unit members' spouses tried to contact the soldiers while they were deployed to find out why they were not receiving the anticipated funds. We were told that neither the spouses nor the soldiers received clear guidance on whom to contact to address their pay concerns. For example, some soldiers sought help from the active Army's finance offices at Fort Knox and Fort Campbell. However, upon contacting officials at those locations, soldiers were told that the active Army could not help them because they were Army Guard soldiers and should therefore contact their home state Army Guard USPFO. According to DFAS officials, the active Army finance offices have the capability to service Army Guard soldiers. Fort Knox and Fort Campbell finance personnel were either unaware of their capability or unwilling to take the actions needed to address the unit's active duty pay concerns.

¹U.S. Department of Defense, Financial Management Regulation (FMR), vol. 7A, ch. 24.

²DOD FMR, vol. 7A, ch. 24.

³DOD FMR, vol. 7A, ch. 8.

Colorado's B Company soldiers turned back to the USPFO for assistance. Although the USPFO did process a number of transactions to start entitled active duty pays and allowances for the unit's soldiers, such pays were started more than 30 days after the date they were entitled to receive such pays. In one case, a soldier's spouse had to obtain a \$500 grant from the Colorado National Guard in order to pay bills while her husband was on active duty.

Deployment Pay Problems

Colorado's B Company was deployed to Uzbekistan and Afghanistan in February 2002. As summarized in table 5, we identified pay problems associated with the hostile fire pay, combat zone tax exclusion, and hardship duty pay that unit soldiers were entitled to receive based on their deployment to Afghanistan and surrounding areas.

Table 5: Identified Deployment Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pays or allowances within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Hostile fire pay	51	2	2
Combat zone tax exclusion	56	7	0
Hardship duty pay	59	33	14

Source: GAO analysis.

Specifically, after arriving in Afghanistan, some soldiers in Colorado's B Company received these pays sporadically, were not paid at all, were paid but for inexplicable dollar amounts, or were overpaid their entitled active duty pays and allowances while deployed. For example, 16 of the 62 soldiers in B Company received the wrong type of hardship duty pay, formerly called Foreign Duty Pay, in addition to the correct hardship duty location pay while they were deployed in Afghanistan.

We found that these pay problems could be attributed, in part, to the active Army servicing finance office's lack of knowledge about how to process transactions through the Defense Joint Military Pay System-Reserve Component system (DJMS-RC) to start location-based pays and allowances for the unit's soldiers. For example, we were told that because active Army in-theater finance personnel were unfamiliar with the required procedures

to follow in starting hardship duty pays, they entered transactions that resulted in soldiers receiving two different location-based types of hardship duty pay for the same duty. Further, Army Guard soldiers told us the active Army finance office could not effectively answer questions concerning their pay entitlements or transaction processing documentation requirements. After not receiving any pay support from the active Army servicing finance location, the unit's soldiers told us they contacted their Army Guard USPFO in Colorado for assistance. However, Colorado USPFO officials informed them that they did not have the capability to start location-based pays and allowances for Army Guard soldiers.

A frequent complaint we received from Colorado's B Company soldiers concerned the circular nature of any attempts to get assistance on pay issues while deployed overseas. B Company's soldiers told us they spent significant amounts of time and effort trying to correct the pay problems while deployed on critical mission operations in Afghanistan and surrounding areas—time and focus away from the mission at hand. For example, as discussed in greater detail in our West Virginia case study summary, a soldier from that unit took several days away from his unit to get location-based pay started for both the West Virginia and Colorado special forces units. We were also told that some members of the unit used their satellite radios to attempt to resolve their pay problems while deployed in Afghanistan. In addition, several of the unit's soldiers told us their ability to identify and correct pay problems while deployed was impaired by limited access to telephones, faxes, e-mail, and their current Leave and Earnings Statements.

Pay Problems Associated with Demobilization and Release from Active Duty

In the late summer to early fall of 2002, soldiers from Colorado's B Company began returning from Afghanistan and surrounding areas to Fort Campbell to begin their demobilization from active duty. However, the active Army's finance office at Fort Campbell failed to properly stop soldiers' pay as of their demobilization dates, which for most of the unit's soldiers was December 4, 2002. As summarized in table 6, 39 of the unit's 62 soldiers continued to receive active duty pay and allowances, some until February 14, 2003—2 and a half months after the date of their release from active duty.

Table 6: Identified Demobilization Pay Problems

Type of pay or allowance continued in error	Number of soldiers overpaid
Basic pay	39
Hostile fire pay	41
Combat zone tax exclusion	39
Hardship duty pay	1

Source: GAO analysis.

We found that both the active Army servicing finance location for the unit while it was in Afghanistan and at Fort Campbell upon its return to the United States did not take action to stop active duty pays and allowances. According to DFAS procedures, the finance office at the servicing demobilization station is to conduct a finance out-processing, which would include identifying and stopping any active duty pays that soldiers were no longer entitled to receive. According to DFAS-Indianapolis Reserve Component mobilization procedures, the local servicing active Army finance office also has primary responsibility for entering transactions to stop hardship duty pay, hostile fire pay, and the combat zone tax exclusion when soldiers leave an authorized hostile fire/combat zone. However, in this case, that office did not take action to stop these types of pay and allowances for many of the unit's soldiers. For example, military pay personnel at Fort Campbell failed to deactivate hostile fire pay for 41 out of 62 B Company soldiers. With regard to customer service, some soldiers in the unit told us that upon their return from overseas deployments, they were informed that they should have corrected these problems while in-theater, despite the fact that these problems were not detected until the demobilization phase.

Colorado's B Company demobilization was complicated by the fact that the unit did not demobilize through the same active Army location used to mobilize the unit. DFAS procedures provide that Army Guard soldiers are to demobilize and have their active duty pays stopped by the installation from which they originally mobilized. However, the unit received orders to demobilize at Fort Campbell rather than Fort Knox where they originally mobilized. According to Fort Campbell personnel, Colorado's B Company out-processed through the required sections, including finance, during their demobilization. Nonetheless, the finance office at that active Army location failed to stop all active duty pays and allowances when the unit was demobilized from active duty. Fort Campbell finance office personnel we interviewed were not present during B Company's demobilization and

had no knowledge of why pay was not stopped during the demobilization process.

Failure to stop location-based and other active duty pays and allowances for the unit's soldiers resulted in overpayments. As a result of the Colorado USPFO's errors made in attempting to amend the unit's orders to reflect an earlier release date than the date reflected in the unit's original mobilization orders, large debts were created for many soldiers in the unit. Specifically, largely erroneous soldier debts were created when personnel at the Colorado USPFO inadvertently revoked the soldiers' original mobilization orders when attempting to amend the orders to reflect the unit's actual release date of December 4, 2002—1 year before the end of the unit's original orders. As a result, 34 soldiers received notice on their Leave and Earnings Statements that rather than a debt for the 2 and a half months of active duty pay and allowances they received after their entitlement had ended, they owed debts for the 11 months of their active duty tour—an average of \$48,000 per soldier, for a total debt of \$1.6 million.

Several of the soldiers in the company noticed the erroneous debt and called their unit commander. Some of the soldiers wanted to settle the debt by writing a check to DFAS. However, they were told not to because the exact amount of each soldier's debt could not be readily determined and tracking such a payment against an as-yet undetermined amount of debt could confuse matters. Meanwhile, some soldiers now returned from active duty, resumed participation in monthly training, and began having two-thirds of their drill pay withheld and applied to offset their largely erroneous debt balances. We were told that it would take approximately 4 to 5 years for the soldiers to pay off these debts using this approach.

On April 17, 2003, and in a subsequent June 20, 2003, letter, we brought this matter to the attention of DFAS and the DOD Comptroller, respectively. Table 7 provides an overview of the actions leading to the creation of largely erroneous payroll-related debts for many of the unit's soldiers and DOD's actions to address these largely erroneous debts.

Table 7: Timetable of Colorado B Company's Unresolved Pay-Related Debts

Date	Action
December 5, 2001	B Company begins active duty tour in support of Operation Enduring Freedom.
July to October 2002	Soldiers demobilize through Fort Campbell. Active duty pay and other location-based pays are not stopped by finance office.
December 4, 2002	Active duty tour officially ends (1 year before the end of the unit's original 2-year orders). Pay is stopped for 28 of 62 soldiers; pay erroneously continues for 34 others.
February 14, 2003	Thirty-four soldiers' pay was not stopped until more than 70 days after tour officially ended. In attempting to amend orders to stop active duty pay and allowances and correct the length of the unit's original 2-year orders, the state USPFO pay chief revokes the original orders. This action triggers a systemic reversal of pay already earned from March 2002 through February 15, 2003, and establishes debts for these soldiers from \$34,000 to \$68,000. The soldiers were first notified of these large debts by notations in the "Remarks" section of their Leave and Earnings Statements.
April 17, 2003	GAO alerts DFAS Indianapolis of B Company's continuing pay problem.
June 20, 2003	GAO sends the Under Secretary of Defense (Comptroller) a letter requesting assistance on correcting pay issues and making soldiers whole, including any tax consequences of errors. DFAS-Indianapolis suspends 24 soldiers' pay-related debts from collection activity.
July 19, 2003	DFAS-Indianapolis sends representative to B Company monthly unit training to discuss debt computations. Debt computations did not reflect underpayments due soldiers for location-based pays.
July 31, 2003	DFAS Indianapolis agrees to again visit B Company after completion of audit of soldiers' entire active duty tour in order to make soldiers financially whole.

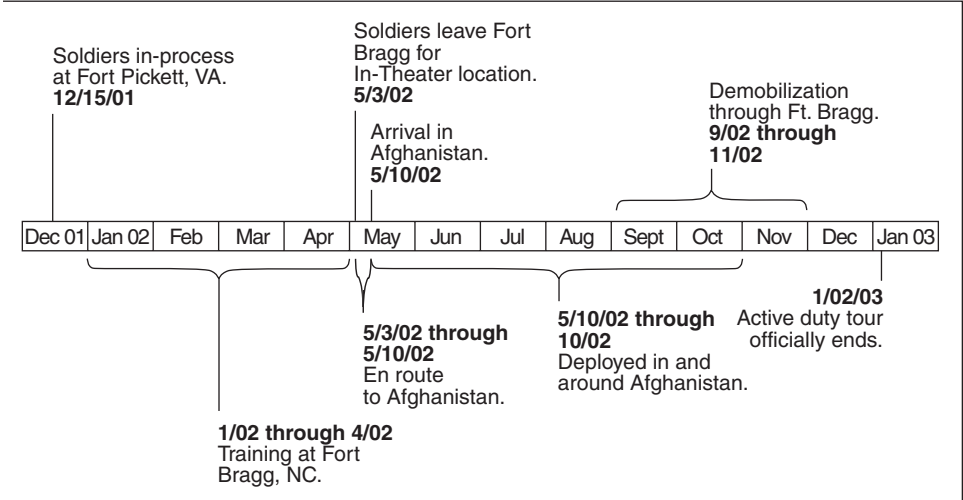
Source: GAO analysis.

Despite considerable time and effort of DFAS and others across the Army Guard and Army, as of the end of our fieldwork in September 2003, Colorado's B Company debt problems had not been resolved. In fact, for one sergeant, his pay problems were further complicated by these efforts. For example, in attempting to reduce the soldier's recorded \$30,454 debt by \$20,111, DFAS instead sent the soldier a payment of \$20,111. As of September 2003, about 9 months after his demobilization, the sergeant's reported unpaid debt balance was \$26,806, but the actual amount of his debt remained unresolved.

Virginia Army National Guard B Company, 3rd Battalion, 20th Special Forces

On January 2, 2002, the Virginia Army National Guard’s B Company, 3rd Battalion, 20th Special Forces, was called to active duty in support of Operation Enduring Freedom for a 1-year tour. The unit in-processed at Fort Pickett, Virginia, and departed for Fort Bragg, North Carolina. The unit mobilized at Fort Bragg and for the next several months performed various duties on base until May 2002. In early May 2002, Virginia’s B Company deployed to Afghanistan to perform search and destroy missions against al Qaeda and Taliban terrorists. Although several of B Company’s soldiers returned from Afghanistan during August and September 2002, most of the unit’s members returned to Fort Bragg for demobilization during October 2002 and were released from active duty on January 2, 2003. A timeline of the unit’s actions associated with its mobilization under Operation Enduring Freedom is shown in figure 10.

Figure 10: Timeline Showing Key Actions Associated with Virginia Army National Guard Special Forces Unit’s Mobilization



Source: GAO.

As summarized in table 8, the majority of soldiers from Virginia’s B Company experienced some sort of pay problem during one or more of the three phases of their active duty mobilization. Overall, 64 of the 65 soldiers with the company experienced at least one pay problem associated with their mobilization. These pay problems included not receiving entitled pays and allowances at all; not receiving some entitled pays and allowances within 30 days; and for some, overpayments of pays and allowances. Specifically, we found (1) 31 soldiers did not receive certain pay and

allowance entitlements at all, or within 30 days of their initial mobilization entitlement, or were overpaid, (2) 63 soldiers either did not receive, or did not receive within 30 days, the hardship duty pay or other high-risk location pays they were entitled to receive based on their deployment to Afghanistan, and (3) 60 soldiers improperly continued to receive hardship duty pay or hostile fire pay after leaving high-risk locations overseas.

Table 8: Summary of Identified Pay Problems by Phase

Process stage	Number of soldiers with pay problems
Mobilization	31 of 65
Deployed	63 of 65
Demobilization	60 of 65

Source: GAO analysis.

In total, we identified estimated overpayments of \$25,000, underpayments of \$12,000, and late payments of \$28,000 associated with the pay problems we found. Of the estimated \$25,000 in overpayments, we identified about \$2,000 that was subsequently collected from the soldiers.

Our audit showed that the pay problems experienced by Virginia's B Company were the result of a number of factors, including late submission of required pay support documents, incorrect pay inputs by Army personnel, and an active Army in-theater finance office's lack of knowledge about the unit's presence in Afghanistan.

These pay problems had a number of adverse effects. Several B Company soldiers we interviewed expressed dissatisfaction with the time and effort they, or their spouses, were required to spend attempting to identify and correct problems with their pay. Another complaint concerned the circular nature of any attempts to get assistance. For example, we were told the USPFO referred soldiers to the active Army finance office and that office referred them back to the USPFO. Virginia USPFO officials informed us that the circular nature of giving assistance to soldiers was sometimes unavoidable. For example, they said that once soldiers left their home unit and the Fort Bragg and in-theater finance offices assumed pay responsibilities, the USPFO informed soldiers and their spouses to contact these active Army finance offices to discuss active duty payment problems. USPFO officials acknowledged that in instances in which the active Army

finance office did not resolve soldiers' pay problems, USPFO staff would try to fix the problems.

According to several soldiers, the combined effect of recurring pay problems and receiving poor payroll customer service during their active duty tours adversely affects morale and may have a negative effect on the soldiers' willingness to continue serving with the Army National Guard. Several soldiers told us that the numerous pay problems they encountered would play a major role in their decisions whether to reenlist.

Mobilization Pay Problems

As summarized in table 9, we identified a number of pay problems associated with the unit's mobilization to active duty. These problems resulted from failures by unit soldiers to provide necessary documentation to initiate certain pays, and data entry errors or late entry of data needed to start active duty pays by Army Guard USPFO military pay personnel and/or by active Army military pay personnel at the unit's mobilization station.

Table 9: Identified Mobilization Pay Problems

Type of pay	Number of soldiers who did not receive pay within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Jump pay	3	8	0
Foreign language proficiency pay	0	10	0
HALO pay	0	0	10
Basic pay	13	0	0

Source: GAO analysis.

We identified 31 out of 65 soldiers from Virginia's B Company who did not receive certain types of pay at all, were not paid in a timely manner, or were overpaid after being activated on January 2, 2002. The types of pay for which most problems occurred during mobilization were parachute jump pay, foreign language proficiency pay, HALO pay, and basic pay. As shown in table 9, we identified 8 soldiers who were underpaid for jump pay, 10 soldiers who were underpaid for foreign language pay, and 10 soldiers who were overpaid for HALO pay.

Prior to being mobilized, the soldiers in Virginia's B Company attended a soldier readiness program at the USPFO at Fort Pickett, Virginia. Part of this program was intended to ensure that soldiers had proper administrative paperwork and financial documents necessary to start all entitled active duty pays at mobilization. Virginia USPFO personnel who conducted the finance portion of B Company's soldier readiness program verified soldiers' supporting financial documentation and updated, if necessary, each soldier's Master Military Pay Accounts (MMPA).

This verification process disclosed that many soldiers had unresolved pay errors that had occurred as far back as 1996. According to U.S. Army Forces Command Regulation 500-3-3, these problems should have been corrected during required annual soldier readiness reviews conducted at the unit's home station. As part of our analysis of the unit's pay, we determined that some of these long-standing pay problems had been resolved. For example, over \$22,500 was processed for 52 B Company soldiers' and included in soldiers' pay distributions from October 2001 to March 2003. USPFO officials told us that they have been working with a sergeant from Virginia's B Company who performed a detailed analysis of soldiers' long-standing pay problems in addition to pay problems that occurred subsequent to January 2002 for the majority of their mobilization.¹ This sergeant performed these pay-related tasks in addition to his mission-related duties as a professional engineer.

After leaving the unit's home station, B Company traveled to Fort Bragg, its active Army mobilization station. Fort Bragg personnel conducted a second soldier readiness program that was intended to identify and fix any pay issues not resolved at the home station. According to USPFO officials and active Army finance office officials at Fort Bragg, problems with jump pay and foreign language pay occurred at mobilization because the necessary documentation to support jump pay eligibility or language proficiency for a number of soldiers was not always provided to the USPFO or the mobilization station. For example, of the 8 soldiers in the unit who were underpaid for jump pay, 4 did not receive jump pay until mid-February 2002 and 1 did not begin to receive jump pay until mid-March. In another instance, we identified 10 soldiers who were eligible to receive foreign language proficiency pay in January 2002, but did not receive payments for 1 or more months after they became eligible.

¹ Our audit findings were consistent with those of the sergeant.

Further, nine soldiers in the unit were eligible for HALO pay in January 2002. However, again, in part because of the lack of proper documentation from the unit's soldiers, but also because of pay input errors at the active Army finance unit at Fort Bragg, pay problems occurred for seven of the nine soldiers during January 2002, the initial month of their mobilization. The seven soldiers eligible for HALO pay received both jump pay as well as HALO pay during January 2002, which resulted in overpayments to these soldiers. These overpayments occurred because Fort Bragg, unaware that the USPFO had previously processed HALO pay for these soldiers, processed HALO pay a second time, based on supporting documentation received from the unit. Also, we found that two soldiers, who were not eligible to receive HALO pay, received HALO pay for 3 months and another soldier received HALO pay starting in January but did not become eligible for this pay until mid-April 2002. Documentation was not available to explain these errors.

Deployment Pay Problems

In May 2002, Virginia's B Company left Fort Bragg and traveled to Afghanistan to assist in missions against al Qaeda and Taliban forces. While in Afghanistan, the soldiers encountered additional pay problems related to hardship duty pay, special duty assignment pay, and, to a lesser extent, hostile fire pay and basic pay. Also, the soldiers experienced problems in receiving the full amounts of their entitled HALO pay. Table 10 summarizes the pay problems we identified for the unit while it was deployed.

Table 10: Identified Deployment Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pays or allowances within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Hardship duty pay	63	0	0
Special duty assignment pay	0	10	24
HALO pay	0	11	0
Hostile Fire pay	0	2	0
Basic pay	3	0	0

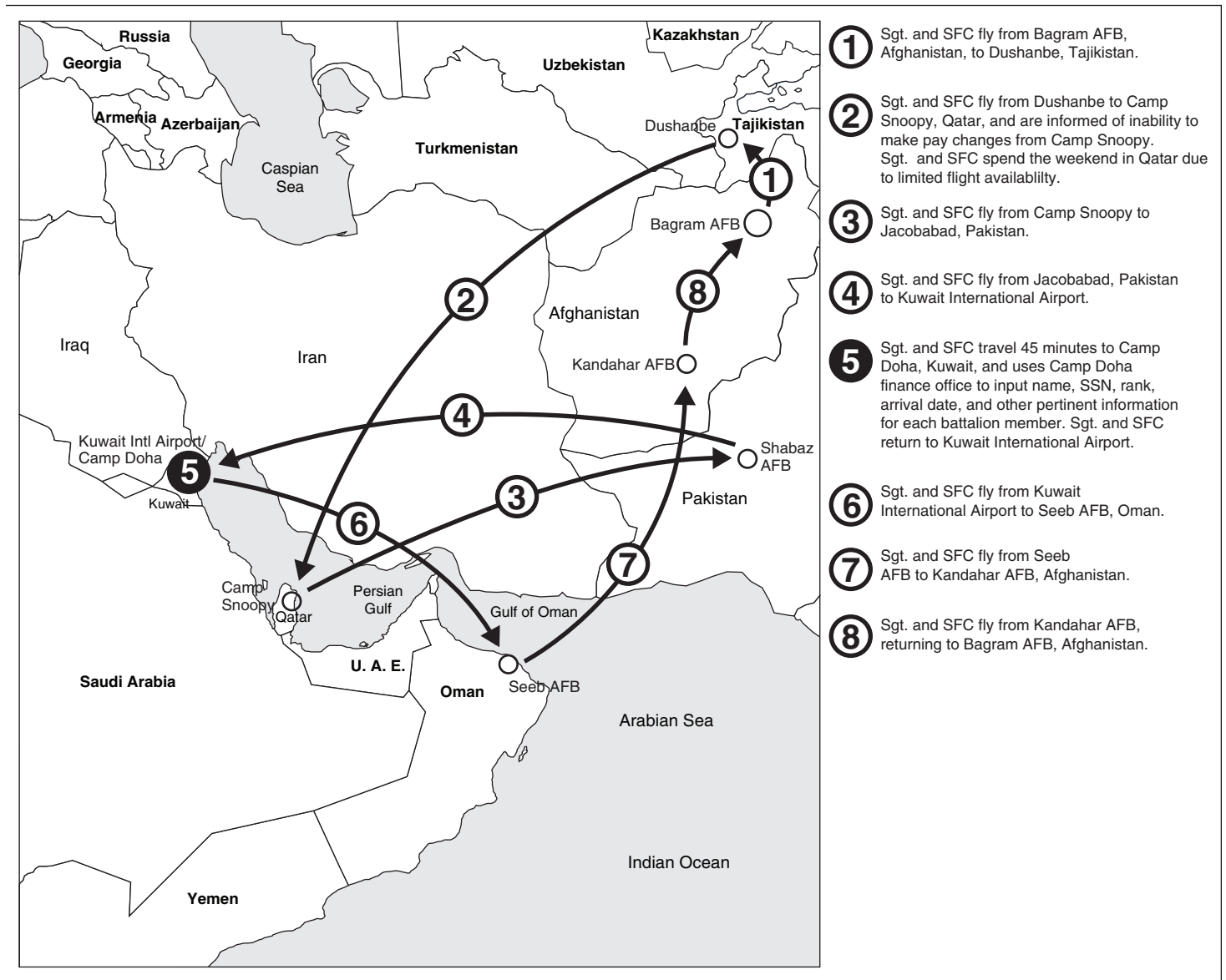
Source: GAO analysis.

Once the soldiers arrive in-theater, an active Army finance office assigned to the unit is responsible for initiating assignment and location-based pays for the unit's soldiers in DJMS-RC. However, we found that the active Army in-theater finance offices did not always know which units they were responsible for servicing or their location. The in-theater finance office for Virginia's B Company, located in Kuwait, did not start these pays as required. We were told that this occurred because finance personnel in Kuwait did not know that B Company had arrived in Afghanistan. Virginia's B Company soldiers, who were not regularly receiving their leave and earnings statements while in Afghanistan, told us they became concerned that they were not receiving pays they were entitled to while deployed based on conversations with their spouses.

After attempts to initiate location-based pays at the battalion finance unit in Afghanistan were unsuccessful because finance personnel at that location were not familiar with DJMS-RC's transaction processing requirements for starting these types of pay, two soldiers were ordered to travel to Camp Snoopy, Qatar, where another Army finance office was located. Attempts to start assignment and location-based pays for the unit's soldiers at Camp Snoopy were also unsuccessful. One of the soldiers told us that they flew to Kuwait because they were advised that the finance unit at that active Army finance office was more knowledgeable about how to enter the necessary transactions into DJMS-RC to pay the unit's soldiers. The soldier told us he took an annotated battle roster listing the names of all Virginia's B Company soldiers deployed in and around Afghanistan at that time and the dates they arrived in country with him as support for starting the unit's in-theater-based pays.² Finally, at Kuwait the appropriate in-theater pays were activated and the two soldiers returned to Afghanistan. As shown in figure 11, the entire trip required interim stops at eight locations because of limited air transportation and took about a week.

²A sergeant who was tracking pay-related issues in addition to his mission-related duties as an engineer prepared the roster. He could not make the trip to initiate the location-based pays because he received another mission-related assignment that superseded his administrative tasks.

Figure 11: Itinerary of Two B Company Soldiers' Efforts to Start Location-Based Pays for the Unit



Source: GAO.

Despite this costly, time-consuming, and risky procedure to start location-based pays for the unit, 63 of Virginia's B Company soldiers, who became

eligible for hardship duty pay in May 2002, not receive their location-based pay entitlements until July 2002.

Problems with special duty assignment pay also occurred during the unit's deployment. We found that both underpayments and overpayments of this type of pay were made as a result of confusion about who was responsible for making the manual monthly transactions necessary for entitled soldiers in the unit to receive these pays.. For example, 10 soldiers in B Company did not receive at least 1 month of entitled special duty assignment pay. Conversely, overpayments of this type of pay were made when B Company left Afghanistan and returned to Fort Bragg to demobilize in October 2002, and both the active Army finance office at Fort Bragg and the Virginia USPFO entered special duty assignment pay transactions for the unit's eligible soldiers. Fort Bragg processed October and November 2002 special duty assignment duty payments for 24 of the unit's soldiers in December 2002. Virginia's USPFO, unaware that Fort Bragg had made these payments in December 2002, also paid all 24 eligible soldiers special duty assignment pay for October and November 2002 several months later. USPFO officials explained that their military pay office processed the payments because B Company submitted the necessary documentation certifying that the unit's soldiers were entitled to receive back pay for missed special assignment duty pays. The officials told us that special duty assignment pay was processed because, having received this certification from the unit, they assumed that payments had not yet been made.

Virginia's B Company soldiers also experienced problems with HALO pay during deployment. We identified 11 B Company soldiers eligible for HALO pay who did not receive 1 or more months of this pay as of March 31, 2003. We determined that these problems occurred because such pays require manual monthly input, and the pay technicians inadvertently did not make the required entries each month. In addition, 2 of the unit's soldiers did not receive all hostile fire payments to which they were entitled. One soldier did not receive the first month of entitled hostile fire pay for May 2002, and the other soldier received hostile fire pay for May 2002 but not for the remaining months of his deployment.

Pay Problems Associated with Demobilization and Release from Active Duty

Although some soldiers in B Company left Afghanistan during August and September 2002, most of the unit returned to Fort Bragg in October 2002 to begin the demobilization process. As summarized in table 11, 57 soldiers continued to receive pays to which they were no longer entitled because they left Afghanistan, including either hostile fire pay, hardship duty pay, or both.

Table 11: Identified Demobilization Pay Problems

Type of pay or allowance continued in error	Number of soldiers who were overpaid	Number of soldiers having an overpayment collected
Hostile fire pay	55	0
Hardship duty pay	57	23

Source: GAO analysis.

According to DOD mobilization procedures, the finance office at the servicing demobilization station is to conduct a finance out-processing. The finance office is responsible for inputting transactions to stop certain location-based pays, such as hardship duty pay and hostile fire pay. In addition, according to DOD's Financial Management Regulation (FMR), Volume 7A, chapters 10 and 17, location-based pays must be terminated when the soldier leaves the hostile fire/combat zone.

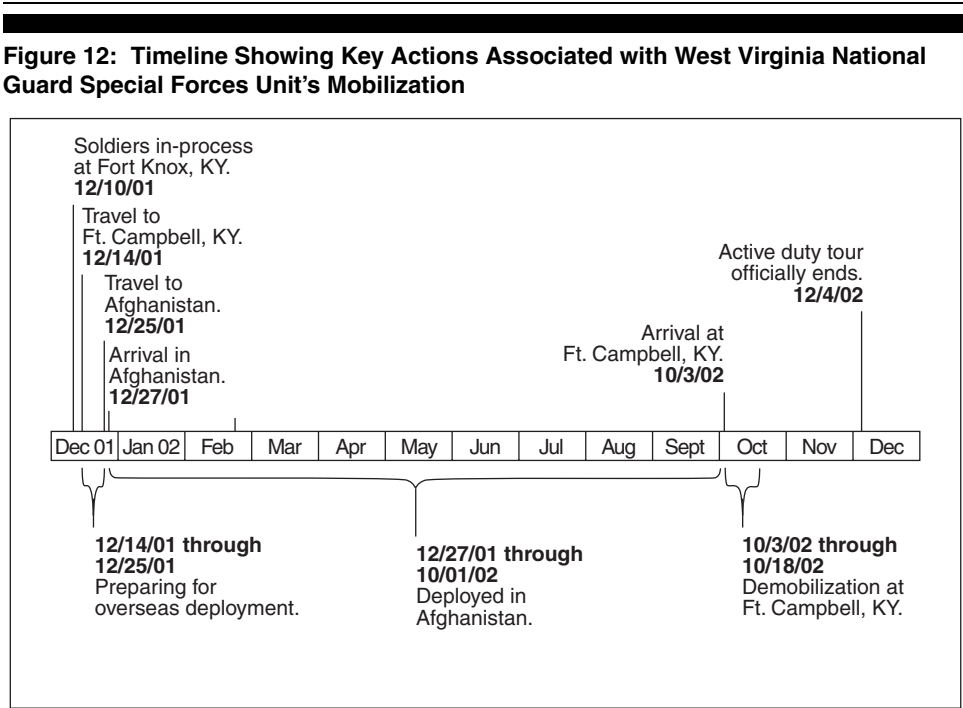
Overpayments to B Company soldiers occurred during demobilization because the in-theater finance office continued to make hostile fire and hardship duty pays after soldiers left Afghanistan in October 2002, and the Fort Bragg active Army finance office did not enter transactions into DJMS-RC to stop these payments as required. We found that 55 of 64 soldiers eligible for hostile fire pay were overpaid for at least 1 month beyond their departure from Afghanistan. Also, we found that 57 of 64 soldiers eligible for hardship duty pay were overpaid at least part of 1 month. A Fort Bragg official explained that the Army finance office personnel at Fort Bragg were not aware that these payments were still being made after the soldiers had returned to the United States, but, subsequently determined that hostile fire and hardship duty overpayments were occurring and took action to terminate the payments.

Also, four members of Virginia's B Company, who were injured while deployed in Afghanistan, returned to Fort Bragg and requested medical extensions to their active duty tours so they could continue to receive

active duty pay and medical benefits until they recovered. One of the soldiers told us, “People did not know who was responsible for what. No one knew who to contact or what paperwork was needed” To support themselves and their families, these four soldiers needed the active duty military pay they were entitled to receive while obtaining medical treatment and recovering from their injuries. However, after risking their lives for their country, all four have had gaps in receiving active duty pay while they remained under a physician’s care after their demobilization date and have experienced financial difficulties. In addition, when active duty pay was stopped, the soldiers’ medical benefits were discontinued. As discussed earlier in this report, these pay-related problems for wounded soldiers caused significant hardship for them and their families.

C Company, 2nd Battalion, 19th Special Forces Group, West Virginia

On December 5, 2001, West Virginia’s 19th Special Forces Group, 2nd Battalion, C Company, was called to active duty in support of Operation Enduring Freedom for a 1-year tour. The unit was mobilized at Fort Knox and subsequently deployed in Afghanistan, Uzbekistan, and surrounding areas to search for possible Taliban and al Qaeda terrorists. The unit returned to Fort Campbell for demobilization and was released from active duty on December 4, 2002. A timeline of the unit’s actions associated with its mobilization under Operation Enduring Freedom is summarized in figure 12.



Source: GAO

As summarized in table 12, the majority of soldiers from C Company experienced some sort of pay problem during one or more of the three phases of their active duty mobilization. Overall, 86 of the 94 soldiers with the company experienced at least one pay problem associated with its mobilization. Specifically, we identified (1) 36 soldiers who were either overpaid, did not receive certain pay and allowance entitlements at all, or did not receive pay within 30 days of their initial mobilization entitlement, (2) 84 soldiers who were either overpaid, did not receive, or did not receive within 30 days, the hostile fire pay or other high-risk location pays they

were entitled to receive based on their deployment in Uzbekistan and Afghanistan, and (3) 66 soldiers who did not receive, or did not receive within 30 days, their special duty assignment pay during their demobilization.

Table 12: Summary of Identified Pay Problems by Phase

Process stage	Number of soldiers with pay problems
Mobilization	36 of 94
Deployed	84 of 94
Demobilization	66 of 94

Source: GAO analysis.

In total, we identified estimated overpayments of \$31,000, underpayments of \$9,000, and late payments of \$61,000 associated with the identified pay problems. We did not identify any collections related to overpayments for this unit.

Mobilization Pay Problems

As summarized in table 13, several soldiers from C Company did not receive the correct pay or allowance when called to active duty. We found that some soldiers received payments over 5 months late and other soldiers had been overpaid. Seven soldiers did not receive their \$225 per month HALO pay until over a month after mobilization, and 18 other soldiers received combat diver pay and HALO pay to which they were not entitled.

Table 13: Identified Mobilization Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowance within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
HALO pay	7	0	10
Combat diver pay	0	0	8
Jump pay	0	7	0
Special duty assignment pay	4	0	0
Foreign language proficiency pay	3	3	0

(Continued From Previous Page)

Type of pay or allowance	Number of soldiers who did not receive pay or allowance within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Family separation allowance	2	0	0
All entitled pays and allowances	0	0	1

Source: GAO analysis.

Prior to being mobilized, the soldiers in C Company attended a soldier readiness program at their unit armory. This program was intended to ensure that all soldiers had proper administrative paperwork and financial documents and were physically fit for the ensuing mobilization. West Virginia USPFO personnel who conducted the finance portion of C Company's soldier readiness program were required to verify soldiers' supporting financial documentation, and update, if necessary, soldiers' pay records in DJMS-RC. Soldiers not submitting the correct paperwork at the time of the Soldier Readiness Program caused some payments to be late. For example, according to the USPFO, one soldier did not submit the proper paperwork for his family separation allowance. The delay in submission caused his first payment to be over 3 months late.

Another problem with the unit's mobilization related to 17 soldiers who had significant problems with their HALO pay. According to USPFO personnel, the unit commander for C Company did not provide the USPFO a list of the unit members who were eligible to receive HALO pay. Therefore, the USPFO paid all the unit members who were parachute qualified the regular parachute pay. Once the USPFO received a list of the unit's 17 HALO-qualified soldiers, pay personnel attempted to recoup the regular jump pay and pay the HALO team the increased HALO pay amount. USPFO personnel told us they did not know how to initiate a payment for the difference between regular jump and HALO pay. Consequently, they entered transactions to recoup the entire amount of jump pay and then initiated a separate transaction to pay the correct amount of HALO pay.

According to the DOD FMR, volume 7A, chapter 24, soldiers who are eligible to receive regular parachute pay and HALO pay are paid the higher of the two amounts, but not both. In this case, the 17 members of C Company's HALO team should have received a \$225 per month payment from the beginning of their mobilization. Pay records indicate that this correction initiated by the USPFO occurred about 2 months after the unit

mobilized. When the USPFO personnel attempted to collect the soldiers' regular parachute pay, they inadvertently collected a large amount of the soldiers' basic active duty pay for the first month of their mobilization. Personnel at the USPFO stated that the error caused debts on soldiers' accounts but was corrected immediately after a pay supervisor at the USPFO detected the error in February. Even after the soldiers' pay was corrected, USPFO personnel did not stop the regular parachute pay for the HALO team members, but instead let it continue, then collected the \$150 per month parachute pay manually, and then paid the correct \$225 per month HALO pay. This error-prone, labor-intensive manual collection and subsequent payment method used by the USPFO personnel to pay C Company's HALO team the higher HALO rate of pay was not consistently applied each month and resulted in 7 soldiers being overpaid when their regular parachute pay was not collected.

In addition to the 7 soldiers who were actually on the HALO team, 10 other soldiers were on the initial list given to the USPFO but were actually not on the HALO team. The unit commander for C Company provided a more accurate list to the USPFO some time after the first list, and only members on the more accurate list continued to receive HALO pay. However, USPFO pay personnel did not attempt to collect the HALO pay from unit members on the first list who had incorrectly received HALO pay. As a result of this complex collection and payment process, the unit's soldiers were confused about whether they were receiving all their entitled active duty pays while mobilized.

After leaving the unit's home station, C Company traveled to Fort Knox, its active Army mobilization station. As required by Army guidance, Fort Knox personnel conducted a second soldier readiness program to identify and fix unresolved pay issues associated with the unit's mobilization. Based on our findings that the pay problems continued after this review, it does not appear that the active Army finance office at Fort Knox carried out its responsibility to review and validate all of C Company soldiers' active duty pays and allowance support records. Problems with HALO and family separation pay were not resolved for several months after the mobilization. As a result, the soldiers' pay problems persisted into their deployment overseas.

Deployment Pay Problems

As summarized in table 14, we identified a number of pay problems associated with three different types of active duty pays related to the unit's deployment.

Table 14: Identified Deployment Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowance within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Hostile fire pay	45	18	40
Hardship duty pay (designated areas)	75	5	12
Hardship duty pay (certain places)	0	0	29

Source: GAO analysis.

After going through initial in-processing at Fort Knox, C Company soldiers traveled to Fort Campbell where they prepared to deploy overseas. Starting in December 2001, members of C Company traveled to Uzbekistan and Afghanistan to perform special forces missions. During their deployment overseas, C Company soldiers consistently experienced problems related to specific location-based payments such as hostile fire pay and hardship duty pay. In 78 cases, the payments were not started within 30 days from when the soldiers were entitled to the payments. In 22 other cases, we determined that soldiers had not received all location-based pays as of March 31, 2003. In 60 cases, the soldiers were overpaid or payments were not stopped when they left the combat zones. Due to the lack of supporting documents at the state, unit, and battalion-levels, dates for when each soldier entered and left combat zones were not always available. Consequently, there may have been other deployment-related pay problems for C Company that we were not able to identify.

According to DFAS policy, when soldiers from C Company arrived in Uzbekistan the in-theater finance office in Uzbekistan was responsible for initiating location-based payments for the unit. Unit personnel stated that the staff in the finance office in Uzbekistan were not adequately trained in how to input pays into DJMS-RC. Initially, we were told the Uzbekistan finance office incorrectly believed it was the West Virginia USPFO's responsibility to start location-based pays for the deployed soldiers from C Company. The active Army finance office in Uzbekistan instructed the unit to contact the West Virginia USPFO to start location-based pays. However, DFAS policy clearly states that it is the active Army in-theater finance office's responsibility to start and maintain monthly location-based payments.

After attempts by the unit administrator and the Uzbekistan finance office failed to initiate the payments, a sergeant in C Company was ordered to travel to Camp Doha, Kuwait, to have the unit's location-based pays started. The soldier stated that he traveled to Camp Doha because he was told that the finance unit at that active Army finance location was more knowledgeable in how to enter transactions into DJMS-RC to initiate location-based pays for the unit's soldiers. The soldier took with him all the necessary paperwork to have the pays started for all the companies under the battalion, including C Company. On the return flight from the sergeant's mission in Kuwait, his plane encountered enemy fire and was forced to return to a safe airport until the next day. The failure by active Army personnel at the finance office in Uzbekistan to enter the transactions necessary to start location-based pays for the unit delayed payments to some soldiers for up to 9 months and put one soldier in harm's way.

Per DOD FMR, volume 7A, chapter 10, soldiers who perform duty in hostile fire zones are entitled to hostile fire pay as soon as they enter the zone. However, we found that 45 soldiers in C Company did not have their hostile fire pay started until over 30 days after they were entitled to receive it. Some of C Company's soldiers received retroactive payments over 2 months after they should have received their pay. In addition, as of March 31, 2003, we determined that 18 soldiers from the unit were not yet paid for 1 or more months that they were in the hostile fire zone. We also identified 40 soldiers who received hostile fire pay after they had left the country and were no longer entitled to receive such pays. These overpayments occurred primarily because hostile fire pay is an automatic recurring payment based on the start and stop date for the soldier's mobilization entered into DJMS-RC. However, in this case, the active Army finance office in Uzbekistan did not amend the stop dates for automated active duty pays in DJMS-RC to reflect that C Company left the designated area before the stop date entered into DJMS-RC. The active Army finance office's failure to follow prescribed procedures resulted in overpayment of this pay to 40 soldiers.

Per DOD FMR, volume 7A, chapter 17, soldiers who perform duties in designated areas for over 30 days are entitled to the hardship duty pay incentive. The FMR provides for two mutually exclusive types of hardship duty pay for identified locations—one according to specified "designated areas" and the other for specified "certain places." Effective December 31, 2001, the regulation no longer permitted soldiers newly assigned to locations specified as "certain places" to begin receiving hardship duty pay.

However, the regulation specified Afghanistan and Uzbekistan as designated areas and provided for paying \$100 a month to each soldier serving there.

While deployed to Afghanistan and Uzbekistan, 29 soldiers in C Company were mistakenly provided both types of hardship duty pay. The local finance office in Uzbekistan correctly entered transactions to start C Company's hardship duty pay for designated areas into the DJMS-RC pay system. Due to limitations in DJMS-RC, the local finance office was required to manually enter the designated area payments for each soldier every month the unit was in a designated area. However, DFAS documentation shows that finance personnel at Fort Bragg incorrectly initiated a recurring certain places hardship duty payment for soldiers in C Company.¹ For some soldiers, payments continued until May 31, 2002 and for others the payments continued until the end of their tour of active duty on December 4, 2002. These erroneous certain places hardship duty pays resulted in overpayments.

In addition, because DJMS-RC processing capability limitations required the designated areas payment to be manually entered every month the unit was in the designated area, the in-theater finance office in Uzbekistan failed to consistently enter the monthly designated area payments for all entitled soldiers. Throughout the time C Company was in Uzbekistan and Afghanistan, we identified a total of 5 soldiers who missed one or more monthly payments of entitled hardship duty designated area pay. Other soldiers received entitled payments over 9 months late. Still others were paid more than once for the same month or paid after leaving the designated area, resulting in overpayments to 12 soldiers. The mix of erroneous certain places hardship duty payments along with sporadic payments of the correct type of designated area hardship duty pay caused confusion for the soldiers of C Company and their families regarding what types of pay they were entitled to receive and whether they received all active duty entitlements.

¹In DJMS-RC, the hardship duty (certain places) payment is identified as a separate component of pay, while designated areas payments require using a miscellaneous component of pay.

Demobilization and Release from Active Duty Pay Problems

C Company returned to Fort Campbell during the fall of 2002 to begin the demobilization process. By October 2002, all of the unit had returned from overseas and was demobilized on December 4, 2002. As shown in table 15, 66 of C Company's 94 soldiers experienced pay problems associated with their demobilization from active duty.

Table 15: Identified Pay Demobilization Problems

Type of Pay or Allowance	Number of soldiers who did not receive pay or allowances within 30 days of entitlement	Number of soldiers who were underpaid
Special duty assignment pay	63	3

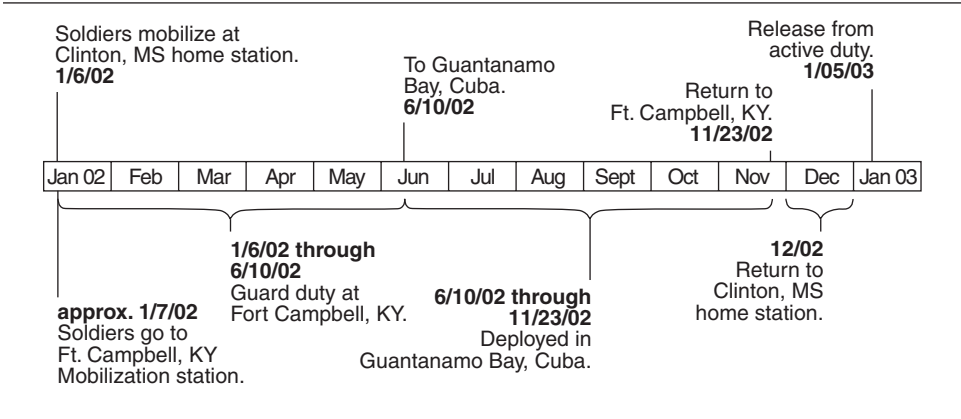
Source: GAO analysis.

In October 2002, eligible soldiers in the unit were entitled to a special duty assignment pay increase from \$110 per month to \$220 per month. To initiate this higher pay rate, the West Virginia Army National Guard military personnel office was required to cut new special duty assignment pay orders for all eligible C Company soldiers. USPFO officials stated that they could not pay the increased amount until they received a copy of the new orders. The USPFO personnel did not continue to pay the \$110 a month to the soldiers because they did not want to have to recoup the old amount and then pay the correct amount when orders were received. However, the orders for the soldiers were not received by the USPFO for several months, which created a delay in the payment of the soldiers' special duty assignment pay. Supporting documents showed that a delay in the production of the orders by the West Virginia Army National Guard military personnel office caused the late payments. For C Company, 63 soldiers received their last 3 months of special duty assignment pay over 30 days late. Another 3 soldiers did not receive their last 3 months of special duty assignment pay because the USPFO inadvertently overlooked the manual transaction entries required to process special duty assignment pay for those soldiers.

Mississippi 114th Military Police Company

On December 27, 2001, the Mississippi Army National Guard’s 114th Military Police Company was called to active duty in support of Operation Noble Eagle for a 1-year tour—through January 5, 2003. The unit mobilized in Clinton, Mississippi, and departed for Fort Campbell, Kentucky, on January 6, 2002. The unit in-processed at Fort Campbell and for the next 5 months performed military police duties at Fort Campbell until early June. On June 10, 2002, the 114th Military Police Company deployed to Guantanamo Bay, Cuba, to perform base security and guard duties for Taliban and al Qaeda prisoners. After guarding detainees in Cuba for approximately 6 months, the unit returned to Fort Campbell in late November 2002. At Fort Campbell the unit out-processed and returned to Clinton, Mississippi, and was released from active duty on January 5, 2003. A time line of actions associated with the unit’s active duty mobilization is shown in figure 13.

Figure 13: Timeline Showing Key Actions Associated with the Mississippi Army National Guard Military Police Unit’s Mobilization



Source: GAO

As summarized in table 16, at every stage of the unit’s 1-year tour of active duty, soldiers experienced various pay problems. Of the 119 soldiers of the Mississippi Army National Guard’s 114th Military Police Company, 105 experienced at least one pay problem associated with mobilization in support of Operation Noble Eagle. Specifically, we found that (1) 21 soldiers experienced underpayments, overpayments, or late payments, or a combination of these, during their initial mobilization, including some soldiers who did not receive payments for up to 7 months after their mobilization dates, and others who still have not received certain

payments, (2) 93 soldiers experienced underpayments, overpayments, late payments, or some combination, during their tour of active duty at Fort Campbell and in Cuba, including in-theater incentives such as hardship duty pay, and (3) 90 soldiers experienced underpayments, overpayments, late payments, or a combination of these, during their demobilization at Fort Campbell, including problems related to the continuation of in-theater incentives and overpayment of active duty pay after demobilization.

Table 16: Summary of Identified Pay Problems by Phase

Phase	Number of soldiers with pay problems
Mobilization	21 of 119
Deployed	93 of 119
Demobilization	90 of 119

Source: GAO analysis.

In total, we identified estimated overpayments of \$50,000, underpayments of \$6,000, and late payments of \$15,000 associated with the pay problems we found. Of the estimated \$50,000 in overpayments, we identified about \$13,000 that was subsequently collected from the unit's soldiers.

Mobilization Pay Problems

As summarized in table 17, we found that 21 soldiers from the 114th Military Police Company experienced underpayments, overpayments, late payments, or some combination related to pay and allowance entitlements when called to active duty. For example, several soldiers did not receive their entitled \$100 per month family separation allowance until 7 months after mobilization, and several other soldiers did not receive the correct type of basic allowance for housing as specified in the DOD FMR, Volume 7A, chapter 26.

Table 17: Identified Mobilization Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowances within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Basic pay	2	1	5
Family separation allowance	11	1	0
Basic allowance for housing	2	3	0
Jump pay	0	0	1

Source: GAO analysis.

Prior to being mobilized, the soldiers in the 114th Military Police Company attended a soldier readiness program at their unit armory. The purpose of this review was to ensure that all soldiers had proper administrative paperwork and financial documents and were physically fit for the ensuing mobilization. Mississippi USPFO personnel, who conducted the finance portion of the 114th Military Police unit's soldier readiness program, were required to verify soldiers' supporting financial documentation, and update, if necessary, soldiers' MMPAs. Not submitting the complete and current paperwork at the time of the soldier readiness program contributed to some of the late payments we identified. For example, some soldiers did not receive their family separation allowance because they did not provide documentation supporting custody arrangements. However, we also found that confusion at the USPFO over the eligibility of single parents contributed to these late pays. It was later in the unit's active duty tour that finance officers initiated action for 11 of the 114th Military Police unit's soldiers to receive retroactive payments, some for as much as 7-months of back pay. In another case, a former Special Forces soldier improperly received jump pay even though his assignment to this military police unit did not require that special skill.

Five soldiers improperly received active duty pay and allowances even though they did not mobilize with the unit. Because these five soldiers were not deployable for a variety of reasons, they were transferred to another unit that was not subject to the current mobilization. However, the delay in entering the transfer and stopping pay caused each of these soldiers to receive active duty pay for 10 days. Several other soldiers received promotions at the time of their mobilization, but state military pay personnel at the USPFO did not enter transactions for the promotions until

several months later, resulting in late promotion pay to the affected soldiers. Delays by the unit in submitting the promotion paperwork or by the state personnel office in entering the promotion paperwork into the personnel system caused these problems. However, supporting documents were not available to enable us to determine the specific cause of the delays.

After leaving the unit's home station, the 114th Military Police Company traveled to Fort Campbell, its active Army mobilization station. As required by Army guidance, Fort Campbell personnel conducted a second soldier readiness program intended, in part, to verify the accuracy of soldiers' pay records. However, instead of conducting a thorough review of each soldier's pay record, Fort Campbell finance personnel performed only a perfunctory review by asking the soldiers if they were experiencing pay problems. At this point, because the soldiers had only recently mobilized and had not received their first paychecks, they were unaware of pay problems. Failure to follow requirements for finance verification at Fort Campbell of each soldier's pay account caused pay problems to persist past the mobilization stage. In addition, we were unable to determine specific causes for certain pay problems associated with the unit's mobilization because the unit remobilized in February 2003, and unit administrative personnel did not retain payroll source documents relating to the prior mobilization.

Deployment Pay Problems

As summarized in table 18, we identified a number of pay problems associated with four types of active duty pays and allowances associated with the unit's deployment while on active duty.

Table 18: Identified Deployment Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowances within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Basic pay	10	0	0
Family separation allowance	3	0	3
Basic allowance for housing	1	0	0
Hardship duty pay	0	11	88

Source: GAO analysis.

While at Fort Campbell, eight soldiers experienced problems resulting from delays in entering changes in the family separation allowance, basic allowance for housing, and active duty pay increases from promotions. For example, one soldier was promoted to the rank of Private First Class at the end of May, but the pay system did not reflect the promotion until October. Although the soldier eventually received retroactive promotion pay, the delay caused the soldier to be paid at her old rank for 5 months. According to DFAS guidance, when a change occurs in a soldier's pay, the on-site Army finance office should input the change. In cases where personnel changes occurred that affected pay, either the soldiers failed to submit documents or personnel at Fort Campbell failed to input the changes. Due to the lack of documentation, we could not determine the origin of the delays.

During the unit's deployment to Guantanamo Bay, Cuba, the soldiers encountered additional pay problems related to hardship duty pay, a location-based payment for soldiers located at designated hardship duty locations. Some soldiers received extra hardship duty payments, while others were only paid sporadically. In total, only 9 of the 100 soldiers who deployed to Guantanamo Bay with the 114th Military Police Company received the correctly computed hardship duty pay.

Per DOD FMR, Volume 7A, chapter 17, soldiers who perform duties in designated areas for over 30 days are entitled to the hardship duty pay incentive. The FMR provides for two mutually exclusive types of hardship duty pay for identified locations; one according to specified "designated areas" and the other for specified "certain places." Effective December 2001, the regulation no longer permitted soldiers newly assigned to

locations specified as certain places to begin receiving hardship duty pay. However, the regulation specified Guantanamo Bay, Cuba, as a designated area and provided for paying \$50 a month to each soldier serving there.

Most of the 114th Military Police unit's soldiers were mistakenly provided both types of hardship duty pay while deployed to Cuba. Upon arrival in Cuba, the local Guantanamo Bay finance office correctly entered transactions to start hardship duty pay for designated areas for the 114th Military Police unit's soldiers into DJMS-RC. However, unknown to Guantanamo finance personnel, Fort Campbell finance personnel, upon the unit's departure to Cuba, incorrectly initiated recurring certain places hardship duty payments for the soldiers of the 114th Military Police unit. These payments of both types of hardship duty pay resulted in overpayments to 88 enlisted soldiers of the 114th Military Police Company during the time the soldiers were stationed in Cuba.

In addition, as a result of personnel turnover and heavy workload in the active Army's Guantanamo Bay finance office and limitations in DJMS-RC, the Guantanamo Bay finance office did not make all the required monthly manual transaction entries required to pay hardship duty pays to the 114th Military Police Company's soldiers. As a result, several soldiers in the unit did not receive one or more monthly hardship duty payments. Limitations in DJMS-RC required the local finance office to manually enter the designated area payments for each soldier on a monthly basis. For 11 soldiers, the finance office inadvertently overlooked entering one or more monthly hardship duty payments. The combination of erroneous certain places payments, along with sporadic payments of hardship duty designated area pays caused confusion for the soldiers who were performing a stressful mission in Cuba regarding whether they were receiving all their active duty pay entitlements.

Pay Problems Associated with Demobilization and Release from Active Duty

The 114th Military Police Company returned to Fort Campbell on November 23, 2002, to begin the demobilization process. During demobilization, soldiers continued to experience pay problems. As summarized in table 19, overpayment problems consisted of improper continuation of hardship duty pay following the unit's return from Cuba and failure to stop active duty pay and allowances to soldiers who were discharged or returned from active duty early.

Table 19: Identified Demobilization Pay Problems

Type of pay or allowance	Number of soldiers who were overpaid
Basic pay	5
Family separation allowance	5
Basic allowance for subsistence	5
Basic allowance for housing	5
Hardship duty pay	85

Source: GAO analysis.

According to the DOD FMR, Volume 7A, chapter 17, soldiers are entitled to receive hardship duty pay only while they are stationed in a hardship duty location. While the active Army's Guantanamo Bay finance office stopped monthly designated area payments upon the unit's departure from Cuba, the Fort Campbell finance office did not discontinue the incorrect certain places payments that its finance office had initiated months earlier. Consequently, 85 of 88 soldiers of the 114th Military Police unit's soldiers continued receiving the incorrect certain places payments through their last day of active duty.

In addition, five soldiers continued to receive active duty pay and allowances after being discharged or returned from active duty. Instead of demobilizing on schedule with their unit, these five soldiers demobilized individually earlier due to various reasons. According to DFAS guidance, Fort Campbell, the designated demobilization station for the 114th Military Police Company, was responsible for stopping active duty pay for the unit's demobilizing soldiers. However, when these individual soldiers were released from active duty, Fort Campbell processed discharge orders but Fort Campbell's finance office failed to stop their pay. Further, in at least one case in which documentation was available, state USPFO military pay personnel did not immediately detect the overpayments in monthly pay system mismatch reports.¹ For these five soldiers, overpayments continued for up to 3 months.

¹The National Guard Bureau's Financial Services Center provides monthly computerized matches between common military pay-related data in DJMS-RC and the SIDPERS personnel system. The purpose of this after-the-fact detective internal control is to ensure the propriety and accuracy of military pay and entitlements to authorized recipients. The monthly products that are provided to each state USPFO are commonly called mismatch reports.

One of these soldiers was discharged early because of drug-related charges. However, his pay continued for 3 months past his discharge date. By the time the USPFO stopped the active duty pay, the former soldier had received overpayments of about \$9,400. Although the state USPFO military pay personnel stopped the active duty pay in September 2002, no attempt to collect the overpayment was made until we identified the problem. In July 2003, state military pay personnel initiated collection for the overpayment.

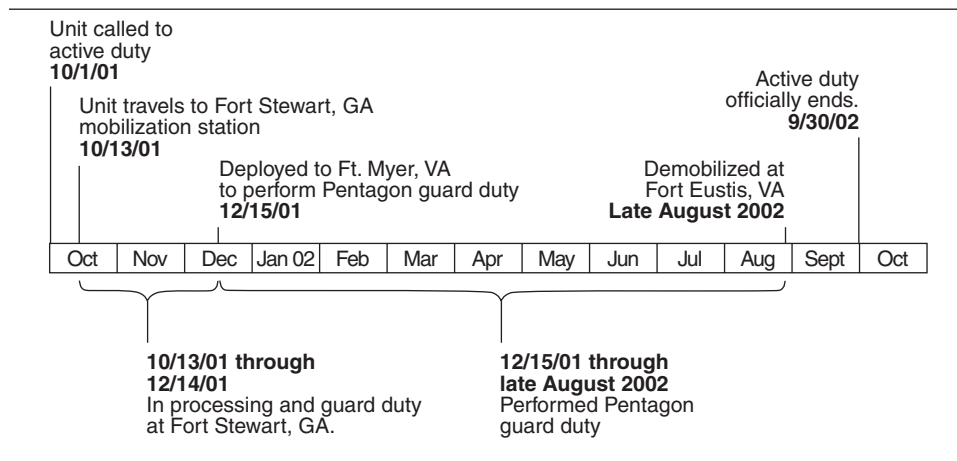
Another soldier was discharged on July 8, 2002, for family hardship reasons, but his active duty pay was not stopped until August 15, resulting in an overpayment. Another 114th Military Police soldier was returned from active duty on September 11, 2002, for family hardship reasons, but his active duty pay was not stopped until November 30, resulting in an overpayment of about \$8,600. Another soldier, facing disciplinary proceedings related to a domestic violence incident, agreed to an early discharge on May 22, 2002. However, the soldier's active duty pay was not stopped until the unit administrative officer, while deployed in Cuba, reviewed the unit commander's finance report and discovered the soldier still on company pay records and reported the error. Following his discharge, this soldier continued to receive active duty pay until August 31, resulting in an overpayment.

Maryland 200th Military Police Company

The 200th Military Police Company was called to active duty in support of Operation Noble Eagle on October 1, 2001, for a period not to exceed 365 days. The unit, including 90 soldiers who received orders to mobilize with the 200th Military Police Company, reported to its home station, Salisbury, Maryland, on October 1, 2001, and then proceeded to Camp Fretterd located in Reisterstown, Maryland, for the soldier readiness program (SRP) in-processing. On October 13, 2001, they arrived at their designated mobilization station at Fort Stewart, Georgia, where they remained for the next 2 weeks undergoing additional in-processing.¹ The unit performed general military police guard duties at Fort Stewart until December 15, 2001, when 87 of the soldiers in the unit were deployed to guard the Pentagon. The company arrived at Ft. Eustis, Virginia, in late August 2002 and was released from active duty on September 30, 2002. In addition, 3 of the 90 soldiers who received orders from the 200th Military Police Company were deployed in January 2002 to Guantanamo Bay, Cuba, to perform base security and guard duties with Maryland's 115th Military Police Company. These soldiers demobilized at Fort Stewart, Georgia, where they were released from active duty on July 10, 2002. A time line of key actions associated with the unit's mobilization under Operation Noble Eagle is shown in figure 14.

¹In early November 2001, soldiers from the unit were moved off base to live in local hotels because Fort Stewart could not accommodate the large number of soldiers arriving to mobilize.

Figure 14: Timeline Showing Key Actions Associated with the Maryland National Guard Military Police Unit's Mobilization



Source: GAO

As summarized in table 20, the majority of soldiers from the company experienced some sort of pay problem during one or more phases of the three phases of their active duty mobilization. Overall, 83 of the company's 90 soldiers experienced at least one pay problem associated with their mobilization in support of Operation Noble Eagle. Pay problems included overpayments, underpayments, and late payments of entitlements, such as basic pay, basic allowance for housing, basic allowance for subsistence, family separation allowance and hardship duty pay associated with their initial mobilization, deployment to Fort Stewart, the Pentagon, and Cuba; and demobilization from active duty status.

Table 20: Summary of Identified Pay Problems by Phase

Phase	Number of soldiers with pay problems
Mobilization	75 of 90
Deployed	64 of 90
Demobilization	3 of 90

Source: GAO analysis.

In total, we identified estimated overpayments of \$74,000, underpayments of \$11,000, and late payments of \$10,000, associated with the pay problems

we identified. Of the estimated \$74,000 in identified overpayments, we identified about \$32,000 that was subsequently collected from the unit's soldiers. Specifically, we determined that

- 75 soldiers were overpaid, underpaid, and/or paid late during the period of mobilization, including a soldier who did not receive correct payments for up to 7 months after the mobilization date;
- 64 soldiers experienced pay problems during their tour of active duty related to the proper payment of basic pay, basic allowance for subsistence, basic allowance for housing, family separation allowance, and location-based pays such as hardship duty pay; and
- 3 soldiers experienced pay problems during their demobilization from Fort Stewart related to continuation of active duty pay entitlements after they were released early from active duty.

We identified a number of causes associated with these pay problems, including delays in submitting documents, incorrect data entry, and limited personnel to process the mass mobilizations. Maryland's USPFO officials told us they had not experienced a large-scale mobilization to active duty in more than 10 years.

Mobilization Pay Problems

As summarized in table 21, we identified a number of pay problems associated with eight different types of active duty pays and allowances associated with the unit's mobilization to active duty. Seventy-five of 90 soldiers from the 200thth Military Police Company did not receive the correct or timely entitlements related to basic pay, basic allowance for housing, basic allowance for subsistence, or family separation allowance when called to active duty.

Table 21: Identified Mobilization Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowances within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Basic pay	4	0	13
Basic allowance for housing	4	24	16
Basic allowance for subsistence	3	1	21
Family separation allowance	11	42	2

Source: GAO analysis.

Thirteen soldiers received overpayments because they continued to receive pay after they were released early from active duty. These soldiers mobilized on October 1, 2001, and then received amended orders to be released from active duty around October 13, 2001. However, many continued to receive basic pay, basic allowance for subsistence, basic allowance for housing, and family separation allowance payments through the end of November 2001. The unit administrator stated that many of these soldiers received amended orders after their initial mobilization when it was determined that they were not deployable for a variety of reasons, such as health or family problems. The overpayments occurred because the Maryland Army Guard command was not informed by either unit personnel or the active component that individuals (1) did not deploy or (2) were released from active duty early. The Maryland Army Guard command initiated amendment orders to stop the active duty pays when it became aware of the problem; however, the orders were not generated in time for the USPFO to stop active duty pays in the system. Specifically, in order for pay to be stopped by October 13, 2001, the USPFO must have received and processed the amended orders by October 8, 2001. However, the Maryland Army Guard command did not generate many of the amended orders until November 14, 2001, at which time they would have been sent to the unit and then forwarded to the USPFO too late to meet the pay cutoff.

An additional soldier was issued an amended order to release him from active duty on October 13, 2001. Upon our review of his pay account, we determined that he continued to receive active duty pay and allowances for an entire year. We spoke with the unit administrator about this soldier and

determined that he mobilized with the unit and was deployed for the entire year that he was paid. The unit administrator and Maryland Army Guard command, along with the USPFO pay officials, were not sure why the amendment order was never processed. They believe that the amendment fell through the cracks due to the general confusion and the limited personnel processing the mass mobilizations after September 11, 2001. Based on our inquiries, the Maryland Army Guard command generated an amendment on August 21, 2003, to reinstate the original order to avoid future questions regarding the soldier's tour of duty.

Further, 42 soldiers from the unit were underpaid their entitled family separation allowance when they mobilized. Soldiers are entitled to receive a family separation allowance after they have been deployed away from home for more than 30 days. We found that these underpayments occurred as a result of Maryland USPFO military pay officials' errors in calculating the start and stop dates for this allowance.

Several soldiers did not receive the correct type of basic allowance for housing after being mobilized as specified in the DOD FMR, Volume 7A, chapter 26. We were unable to determine specific causes and amounts of all the unit's problems associated with the basic allowance for housing because the unit had remobilized in July 2003 and some of the historical records relating to housing entitlements applicable to the prior mobilization could not be located. Furthermore, the original unit administrator had retired, leaving limited records of the prior mobilization for the current unit administrator. Based on our inquiries, we determined that some soldiers were underpaid their housing allowance because the Maryland USPFO military pay officials entered the incorrect date for the tour and therefore shortened the unit's soldiers' allowance by 1 day. Other soldiers did not receive the correct amount for this allowance as a result of different interpretations of how to enter "dependent" information provided on housing allowance application forms (Form 5960). According to personnel officials, married soldiers are required to write in their spouses' names as dependents on Form 5960 in order to receive the higher housing allowance amount. However, guidance did not clearly specify that simply checking the box indicating that they are married is not sufficient support to receive the higher housing allowance (with dependents) rate. As a result, several soldiers' dependent information was not loaded into the personnel system correctly, and they were paid a single rate housing allowance instead of the higher married rate allowance.

Other soldiers did not receive the correct housing allowance because they did not turn in complete forms and documentation to initiate the correct allowance rate or were late in turning in documents. For example, one soldier, who appeared to have submitted his lease agreement 6 days after being called to active duty, did not receive the correct housing allowance amount for the first 2 months of active duty. During his entire deployment, the soldier attempted to get various unit and military pay officials to take action to initiate back pay for these housing allowance underpayments, including forwarding copies of the lease agreement as proof for payment on three different occasions. As of March 30, 2003, the soldier had not received the correct housing allowance for October and November 2001. Another soldier did not receive the correct amount of housing allowance after his mobilization and complained to the unit administrator. Seven months after his initial mobilization to active duty, finance officials at the active duty station in Fort Belvoir, Virginia, who were attempting to correct the soldier's housing allowance instead inadvertently entered a transaction to collect the entire amount of the housing allowance previously paid to the soldier. Finance officials at Fort Belvoir subsequently entered a transaction to reverse the error and pay the soldier a "catch-up" housing allowance payment.

Deployment Pay Problems

As summarized in table 22, we identified a number of pay problems associated with five different types of active duty pays and allowances associated with the unit's deployment.

Table 22: Identified Deployment Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowance within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Basic pay	1	0	1
Basic allowance for housing	0	0	1
Basic allowance for subsistence	0	1	62
Family separation allowance	0	1	1
Hardship duty pay	3	3	0

Source: GAO analysis.

Sixty-two soldiers from the unit were overpaid their entitled subsistence allowance by active Army finance personnel while stationed at the Pentagon during the period of December 15, 2001, through December 31, 2001. Prior to this period, the soldiers were stationed at Fort Stewart and were not provided lodging or mess and properly received the full subsistence allowance. When the unit was redeployed to the Pentagon, mess facilities became available. However, active Army finance personnel did not reduce the unit's subsistence allowance rate to reflect the available mess facilities. According to DOD FMR, Volume 7A, chapter 25, enlisted soldiers are not entitled to the full subsistence allowance when mess facilities are provided.

In January 2002, three soldiers who received mobilization orders from the 200th MP Company left Fort Stewart and traveled with the 115th Military Police Company to Guantanamo Bay, Cuba, to assist with base security and guard duties. While in Cuba, the soldiers were either underpaid, or were late in receiving their entitled hardship duty pays. In accordance with DOD FMR Volume 7A, chapter 17, soldiers who perform duties in "designated areas" for over 30 days are entitled to hardship duty pay. The FMR specifies Guantanamo Bay, Cuba, as a designated area and provides payment of \$50 a month to soldiers serving there. While deployed to Cuba, the three soldiers were mistakenly paid the old type of hardship duty pay. Since hardship duty pay is not an automated pay, the active Army finance office at Guantanamo Bay was required to manually enter the "designated areas" payment each month for each soldier. While they were in Cuba, the three soldiers did not receive all their entitled hardship duty pays. Furthermore, the hardship duty pays they did receive were more than 30 days late.

Demobilization and Release from Active Duty Pay Problems

The 200th Military Police Company returned to Fort Eustis around the end of August 2002 to begin the demobilization process. We did not identify any pay issues associated with the unit's soldiers who were released from active duty on September 30, 2002 (the original date for the unit's demobilization, designated on the mobilization orders). However, as shown in table 23, we did identify three soldiers who continued to receive active duty pay after their early release from active duty.

Table 23: Identified Demobilization Pay Problems

Type of pay or allowance	Number of soldiers who were overpaid
Basic pay	3
Basic allowance for housing	3
Basic allowance for subsistence	3
Family separation allowance	3
Hardship duty pay	2

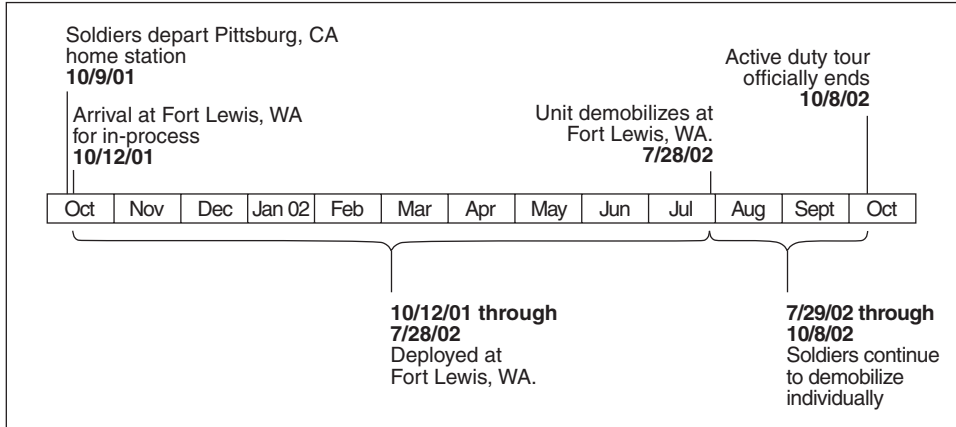
Source: GAO analysis.

Specifically, the three soldiers from the unit returned from Cuba, demobilized at Fort Stewart, and were released from active duty on July 10, 2002, while their original orders showed a September 30, 2002, release date. They continued to receive active duty pay and allowances through July 15, 2002. Fort Stewart did not provide the amended orders with the earlier release date to the Maryland USPFO office in time to stop the pay.

California 49th Military Police Headquarters and Headquarters Detachment

On October 2, 2001, California’s 49th Military Police Headquarters and Headquarters Detachment (HHD) was mobilized to active duty for a period not to exceed 24 months. The 49th MP HHD mobilized at its home station, Pittsburg, California, and then proceeded to its designated mobilization station, Fort Lewis, Washington, on October 12, 2001. The unit performed its active duty mission at Fort Lewis, where it provided base security as part of Operation Noble Eagle. The unit was demobilized from active duty at Fort Lewis on July 28, 2002. A time line of the unit’s actions with respect to its mobilization under Operation Noble Eagle is shown in figure 15.

Figure 15: Timeline Showing Key Actions Associated with the California Army National Guard Military Police Unit’s Mobilization



Source: GAO

Almost all soldiers from the 49th Military Police Company experienced some sort of pay problem during one or more phases of the three phases of the active duty mobilization. Overall, 50 of the 51 soldiers with the unit had at least one pay problem associated with their mobilization to active duty in support of Operation Noble Eagle. These pay problems included not receiving pays and allowances at all (underpayments), receiving some pays and allowances over 30 days after entitlement (late payments), and the overpayment of allowances. Specifically, as summarized in table 24, we found that (1) 48 soldiers did not receive certain pay and allowances within 30 days of their initial mobilization entitlement and (2) 41 soldiers did not receive, or did not receive within 30 days, the pay and allowances they were entitled to receive during their deployment.

Table 24: Summary of Identified Pay Problems by Phase

Phase	Number of Soldiers with pay problems
Mobilization	48 of 51
Deployed	41 of 51
Demobilization	0 of 51

Source: GAO analysis.

In total, we identified estimated overpayments of \$17,000, underpayments of \$1,300, and late payments of \$67,000 associated with the pay problems we found. In addition, of the \$17,000 in overpayments, we found that less than \$100 was subsequently collected from the soldiers.

We determined a number of causes for these pay problems. First, we found a lack of sufficient numbers of knowledgeable staff. In addition, after-the-fact detective controls were not in place, including a reconciliation of pay and personnel records and the reconciliation of pay records with the unit commander's records of personnel actually onboard. Currently, as a matter of practice, pay and personnel representatives from the USPFO conduct a manual reconciliation between the pay and personnel system records approximately every 2 months. The purpose of the reconciliation is to ensure that for common data elements, the pay and personnel systems contain the same data. A USPFO official told us that while it is the USPFO's goal to carry out such reconciliations each month, it currently does not have the resources required to do so.

Mobilization Pay Problems

As summarized in table 25, we identified a number of pay problems associated with the unit's mobilization to active duty. Failures to enter transactions or late entry of transactions needed to start active duty pays by Army Guard USPFO military pay personnel and by active Army military pay personnel at the unit's mobilization station were the initial cause of the pay problems. We also found that the underlying cause of the pay problems was a lack of sufficient numbers of knowledgeable personnel at the California USPFO and the Fort Lewis Finance Office. In addition, according to Army Guard and active Army officials, neither organization was prepared for the sheer volume of pay transactions associated with mobilizing soldiers to active duty.

Table 25: Identified Mobilization Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowance within 30 days of entitlement
Basic pay	17
Basic allowance for housing	18
Basic allowance for subsistence	18
Family separation allowance	39
Cost of living allowance	36

Source: GAO analysis.

In total, 48 out of 51 soldiers of the 49th Military Police Company did not receive certain pay and allowances and incentive pays at all, or did not receive them within 30 days after being mobilized on October 2, 2001. The types of pay entitlements either not paid at all or paid late associated with the unit's initial mobilization included basic pay, basic allowance for subsistence, basic allowance for housing, family separation allowance, and the continental United States cost of living allowance.

The late payments during the mobilization phase primarily resulted from California USPFO military pay personnel's lack of understanding of their responsibility for initiating active duty pays. According to DFAS reserve component mobilization procedures; the California USPFO was responsible for initiating these pays. However, a USPFO military pay official mistakenly instructed the unit to take its pay data to the mobilization station to enter transactions to start active duty pays. The USPFO official stated that the USPFO did not start the active duty pay and allowances at that time because a copy machine was not available to make copies of relevant active duty pay support documentation (such as a lease agreement needed to support a housing allowance entitlement). As a result, the responsibility for initiating this allowance was improperly passed to the active Army finance office at the Fort Lewis mobilization station.

The Fort Lewis finance office lacked sufficient numbers of knowledgeable military pay staff to expeditiously enter the large volume of transactions necessary to start active duty pay entitlements for the 49th Military Police Company's soldiers. DFAS guidance requires finance personnel at the mobilization station to review each soldier's pay account to identify any errors and input the necessary correcting transactions into DJMS-RC. Initially, the mobilization station finance office assigned an insufficient

number of personnel to the task of starting active duty pays for the unit's 51 mobilizing soldiers. Moreover, one of the assigned pay technicians was not familiar with DJMS-RC and consequently entered data incorrectly for some of the unit's soldiers. Also, the assigned pay technician initially failed to enter transactions to start pay and allowances for a significant number of the unit's soldiers because the supporting documentation was misplaced. These documents were later found under a desk in the finance office.

Recognizing this shortage of staff knowledgeable about DJMS-RC processing procedures, the Fort Lewis finance office asked the California USPFO to supply additional personnel and also temporarily reassigned soldiers from other units stationed at Fort Lewis to assist in the pay processing. Working together over a 2-month period after the unit was mobilized to active duty, these personnel were able to enter the omitted transactions needed to start active duty pays and correct the previous erroneous entries.

In addition, the USPFO did not enter the required data to DJMS-RC to begin cost of living allowance pays for 36 of the unit's soldiers. DFAS reserve component mobilization procedures state that the USPFO has the initial responsibility for initiating these pays. However, as discussed previously, the USPFO mistakenly sent the 49th Military Police Company to Fort Lewis with their pay documentation, and as a result, it was not until more than 2 months after the unit's mobilization date that the Fort Lewis finance office pay technicians began to enter these transactions into DJMS-RC.

The company commander for the unit told us that he was frustrated with the level of customer support his unit received as it moved through the initial mobilization process. Only two knowledgeable military pay officials were present to support active duty pay transaction processing for the 51 soldiers mobilized for his unit. He characterized the customer service his unit received at initial mobilization as very time-consuming and frustrating.

Deployment Pay Problems

As summarized in table 26, we identified a number of pay problems associated with six different types of active duty pays and allowances associated with the unit's deployment while on active duty. These problems primarily resulted from a data entry error and inadequate document retention practices.

Table 26: Identified Deployment Pay Problems

Type of pay or allowance	Number of soldiers who did not receive pay or allowances within 30 days of entitlement	Number of soldiers who were underpaid	Number of soldiers who were overpaid
Basic pay	1	0	5
Basic allowance for subsistence	1	0	5
Basic allowance for housing	1	0	5
Family separation allowance	0	0	6
Foreign language proficiency pay	4	2	1
Cost of living allowance	37	4	0

Source: GAO analysis.

For example, the USPFO paid one soldier her basic pay, basic allowance for subsistence, and basic allowance for housing nearly 4 months late. A USPFO official told us these late payments were caused when a USPFO pay technician entered an incorrect stop date for the soldier's active duty tour into DJMS-RC. The pay technician, after being notified of the error by the soldier, corrected the data in DJMS-RC, which resulted in the soldier receiving her pay nearly 4 months late. Additionally, USPFO officials were unable to provide support explaining why five other soldiers continued to receive basic pay, the basic allowance for subsistence, and the basic allowance for housing after the date available records show their active duty tours had ended. Consequently, we identified the payments made to these five soldiers as overpayments.

Overpayments of family separation allowances to soldiers in the unit resulted from a data entry error and inadequate USPFO document retention practices. A USPFO pay technician incorrectly coded a soldier's account to receive a family separation allowance when the soldier had only been on active duty for 2 weeks. According to the DOD FMR, Volume 7A, chapter 27, soldiers are only eligible for this allowance after they have been separated more than 30 days from their families on a continuous active duty assignment. This overpayment problem had not been resolved as of March 31, 2003. Additionally, USPFO officials were unable to provide supporting documentation explaining why five soldiers continued to receive a family separation allowance after available documentation

showed that these soldiers' active duty tours had officially ended. We identified these family separation allowance payments for the five soldiers as overpayments.

Late, under- and overpayments of foreign language proficiency pays to the unit's soldiers primarily resulted from delayed or inadequate data entry. For example, our audit showed that USPFO pay technicians failed to enter transactions into DJMS-RC in a timely manner for four soldiers resulting in late foreign language proficiency payments. In addition, USPFO pay technicians failed to enter any foreign language proficiency payment transactions for 1 month for one soldier and for 3 months for another soldier resulting in those soldiers being underpaid. This underpayment issue had not been resolved as of March 31, 2003. In another instance, a soldier received an overpayment of his entitled foreign language proficiency payment when a USPFO pay technician entered the wrong code. Approximately 3 months later, the USPFO pay technician identified the error and recovered the overpayment.

Late payment, underpayment, and overpayment of cost of living allowances resulted from the inability of DJMS-RC to pay certain active duty pays and allowances automatically, inaccurate data entry, and inadequate documentation retention practices. For example, our audit discovered that USPFO pay technicians failed to manually enter cost of living allowance transactions into DJMS-RC in a timely manner for 37 soldiers, resulting in late payments to the soldiers. In addition, USPFO officials were unable to provide sufficient documentation to explain why 3 soldiers appeared not to have received cost of living allowance payments due them for a 2-month period. We considered these pay omissions to be underpayments. An Army pay technician at the Fort Lewis finance office entered the incorrect code, thereby paying a soldier the wrong type of allowance, which resulted in an underpayment.

Pay Problems Associated with Demobilization and Release from Active Duty

California's 49th Military Police Company demobilized at Fort Lewis on July 28, 2002, and returned to its home station in Pittsburg, California. We did not identify any pay problems for this unit in the demobilization phase.

Scope and Methodology

To obtain an understanding and assess the processes, personnel (human capital), and systems used to provide assurance that mobilized Army Guard soldiers were paid accurately and timely, we reviewed applicable policies, procedures, and program guidance; observed pay processing operations; and interviewed cognizant agency officials. With respect to applicable policies and procedures, we obtained and reviewed 10 U.S.C. Section 12302, DOD Directive Number 1235.10, “Activation, Mobilization & Demobilization of the Ready Reserve;” DOD FMR, Volume 7A, “Military Pay Policy and Procedures Active Duty and Reserve Pay”; and the Army Forces Command Regulations 500-3-3, Reserve Component Unit Commander Handbook, 500-3-4, Installation Commander Handbook, and 500-3-5, Demobilization Plan. We also reviewed various Under Secretary of Defense memorandums, a memorandum of agreement between Army and DFAS, DFAS, Army, Army Forces Command, and Army National Guard guidance applicable to pay for mobilized reserve component soldiers. We also used the internal controls standards provided in the *Standards for Internal Control in Federal Government*.¹

We applied the policies and procedures prescribed in these documents to the observed and documented procedures and practices followed by the various DOD components involved in providing active duty pays to Army Guard soldiers. We also interviewed officials from the National Guard Bureau, State USPFs, Army and DOD military pay offices, as well as unit commanders to obtain an understanding of their experiences in applying these policies and procedures.

In addition, as part of our audit, we performed a review of certain edit and validation checks in DJMS-RC. Specifically, we obtained documentation and performed walk-throughs associated with DJMS-RC edits performed on pay status/active duty change transactions, such as those to ensure that tour start and stop dates match MMPA dates and that the soldier cannot be paid basic pay and allowances beyond the stop date that was entered into DJMS-RC. We also obtained documentation on and walk-throughs of the personnel-to-pay system interface process, the order writing-to-pay system interface process, and on the process for entering mobilization information into the pay system. We held interviews with officials from the Army

¹U.S. General Accounting Office, *Standards for Internal Control in Federal Government*, GAO/AIMD-00-21.3.1 (Washington D.C.: November 1999). These standards provide the overall framework for establishing and maintaining effective internal control and for identifying and addressing areas of greatest risk of fraud, waste, abuse, and mismanagement.

National Guard Readiness Center, the National Guard Bureau, and DFAS Indianapolis and Denver to augment our documentation and walkthroughs.

Because our preliminary assessment determined that current operations used to pay mobilized Army Guard soldiers relied extensively on error-prone manual transactions entry into multiple, nonintegrated systems, we did not statistically test current processes and controls. Instead, we used a case study approach to provide a more detailed perspective of the nature of pay deficiencies in the three key areas of processes, people (human capital), and systems. Specifically, we gathered available data and analyzed the pay experiences of Army Guard special forces and military police units mobilized to active duty in support of Operations Noble Eagle and Enduring Freedom during the period from October 2001 through March 2003. We audited six Army Guard units as case studies of the effectiveness of the controls over active duty pays in place for soldiers assigned to those units:

- Colorado B Company, 5th Battalion, 19th Special Forces;
- Virginia B Company, 3rd Battalion, 20th Special Forces;
- West Virginia C Company, 2nd Battalion, 19th Special Forces;
- Mississippi 114th Military Police Company;
- California 49th Military Police Headquarters and Headquarters Detachment; and
- Maryland 200th Military Police Company.

In selecting these six units for our case studies, we sought to obtain the pay experiences of units assigned to either Operation Enduring Freedom or Operation Noble Eagle. We further limited our case study selection to those units both mobilized to active duty and demobilized from active duty during the period from October 1, 2001 through March 31, 2003. From the population of all Army Guard units mobilized and demobilized during this period, we selected three special forces units and three military police units. These case studies are presented to provide a more detailed view of the types and causes of pay problems and the pay experiences of these units as well as the financial impact of pay problems on individual soldiers and their families.

We used mobilization data supplied by the Army Operations Center to assist us in selecting the six units we used as our case studies. We did not independently verify the reliability of the Army Operations Center database. We used the Army Operations Center data to select six states that had a large number of special forces or military police units that had been mobilized, deployed, and returned from at least one tour of active duty in support of Operations Noble Eagle and Enduring Freedom. We chose California, Colorado, Maryland, Mississippi, Virginia, and West Virginia. From these six states, we selected three special forces and three military police units that had a variety of deployment locations and missions. We also identified and performed a limited review of the pay experiences of a unit still deployed during the period of our review; Colorado's 220th Military Police Company. The purpose of our limited review was to determine if there were any pay problems experienced by a more recently mobilized unit.

We also obtained in-depth information from soldiers at four of the six case study units. Using a data collection instrument, we asked for soldier views on pay problems and customer service experiences before, during, and after mobilization. Unit commanders distributed the instrument to soldiers in their units. There were 325 soldiers in these units; in total, we received 87 responses. The information we received from these data collection instruments is not representative of the views of the Army Guard members in these units nor of those of Army Guard members overall. The information provides further insight into some of the pay experiences of selected Army Guard soldiers who were mobilized under Operations Noble Eagle and Enduring Freedom.

We used DJMS-RC pay transaction extracts to identify pay problems associated with our case study units. However, we did not perform an exact calculation of the net pay soldiers should have received in comparison with what DJMS-RC records show they received. Rather, we used available documentation and follow-up inquiries with cognizant USPFO personnel to identify if (1) soldiers' entitled active duty pays and allowances were received within 30 days of initial mobilization date, (2) soldiers were paid within 30 days of the date they became eligible for active duty pays and allowances associated with their deployment locations, and (3) soldiers stopped receiving active duty pays and allowances as of the date of their demobilization from active duty. As such, our audit results only reflect problems we identified. Soldiers in our case study units may have experienced additional pay problems that we did not identify. In addition,

our work was not designed to identify, and we did not identify, any fraudulent pay and allowances to any Army Guard soldiers.

As a result of the lack of supporting documents, we likely did not identify all of the pay problems related to the active duty mobilizations of our case study units. However, for the pay problems we identified, we counted soldiers' pay problems as a problem only in the phase in which they first occurred even if the problems persisted into other phases. For purposes of characterizing pay problems for this report, we defined over- and underpayments as those pays or allowances for mobilized Army Guard soldiers during the period from October 1, 2001, through March 31, 2003, that were in excess of (overpayment) or less than (underpayment) the entitled payment. We considered as late payments any active duty pays or allowances paid to the soldier over 30 days after the date on which the soldier was entitled to receive such pays or allowances. As such, these payments were those that, although late, addressed a previously unpaid entitlement.

We did not include any erroneous debts associated with these payments as pay problems. In addition, we used available data to estimate collections against identified overpayments through March 31, 2003. We did not attempt to estimate payments received against identified underpayments. We provided the support for the pay problems we identified to appropriate officials, at each of our case study locations so that they could fully develop and resolve any additional amounts owed to the government or to the Army Guard soldiers.

We briefed DOD and Army officials, National Guard Bureau officials, DFAS officials, and USPFO officials in the selected states on the details of our audit, including our findings and their implications. On October 10, 2003, we requested comments on a draft of this report. We received comments on November 5, 2003, and have summarized those comments in the "Agency Comments and Our Evaluation" section of this report. DOD's comments are reprinted in appendix VIII. We conducted our audit work from November 2002 through September 2003 in accordance with U.S. generally accepted government auditing standards.

Comments from the Department of Defense



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

NOV 5 2003

Mr. Gregory D. Kutz
Director
Financial Management and Assurance
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Kutz:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "Military Pay: Army National Guard Personnel Mobilized to Active Duty Experienced Significant Pay Problems," dated October 10, 2003, (GAO Code 192080/ GAO-04-89). The DoD concurs with the 23 recommendations in the draft report and is already taking action to correct the noted deficiencies.

The Department appreciates the opportunity to comment on the draft report. My staff point of contact is Ms. Jacqueline Jenkins. She may be reached by email: jacqueline.jenkins@osd.mil or by telephone at (703) 697-8282.

Sincerely,

A handwritten signature in black ink, appearing to read "Dov S. Zakheim", is written over a horizontal line.

Dov S. Zakheim

Enclosure:
As stated

GAO DRAFT REPORT DATED OCTOBER 10, 2003
GAO-04-89 (GAO CODE 192080)

“MILITARY PAY: ARMY NATIONAL GUARD PERSONNEL
MOBILIZED TO ACTIVE DUTY EXPERIENCED
SIGNIFICANT PAY PROBLEMS”

DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommended that the Secretary of Defense direct the Director of the Defense Finance and Accounting Service (DFAS), in conjunction with the Under Secretary of Defense (Comptroller), to establish a unified set of policies and procedures for all Army Guard, Army, and DFAS personnel to follow for servicing active duty pays for Army Guard personnel mobilized to active duty. (p. 74/GAO Draft Report)

DoD RESPONSE: Concur. DFAS and the Army are jointly building on the existing guidance procedures as published in FORSCOM REG 500-3-3, (FORSCOM Mobilization and Deployment Planning System Form Deps, Volume 3, Reserve Component Commanders’ Handbook dated July 15, 1999); the National Guard Standard Operating Procedure Contingency Operations; and DFAS AIG Message dated December 19, 2002, Subject: Reserve Component Mobilization Procedures, to clearly define the roles and responsibilities between mobilization/demobilization stations, United States Property and Fiscal Offices (USPFOs), and deployed Army finance elements. A joint task force has been established to review existing procedural guidance, lessons learned to date, and available metrics. As a first step, expanded central guidance will be published within the next 30 days, which will further articulate the specific responsibilities of the servicing finance activities. This breakout of responsibilities will also be provided in a simple matrix form to visually reinforce this guidance. Within approximately 60 days, the Army and DFAS will begin compliance reviews of the mobilization/demobilization stations to ensure adherence to published guidance and to provide any further assistance these offices may require. Within the next 3 to 6 months, the task force will build upon the existing guidance to provide comprehensive procedures and related standards, down to the individual technician level, for all offices and units responsible for pay input support of mobilized soldiers.

RECOMMENDATION 2: The GAO recommended that the Secretary of Defense direct the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller), to establish performance measures for obtaining supporting documentation and processing pay transactions. (p. 75/Draft Report)

DoD RESPONSE: Concur. Standards for the timeliness of processing pay transactions are currently in place for units, finance offices, and central site. However, these standards are focused on the full range of transactions and associated unit level data is generated based on the normal permanent/home station relationship with a Reserve Component Pay Support Office.

Within the next 6 months, DFAS and the Army will jointly review how these existing mechanisms can be used to more succinctly capture data specifically related to mobilized soldiers and units.

RECOMMENDATION 3: The GAO recommended that the Secretary of Defense direct the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller), to establish who is accountable for stopping active duty pays for soldiers who return home separate from their units. (p. 75/Draft Report)

DoD RESPONSE: Concur. Within the next 30 days, DFAS, in cooperation with the Army, will reinforce existing procedures on responsibilities for stopping active duty pays for soldiers who return home separate from their units. This will be part of the revised guidance identified in response to recommendation one. In addition, mechanisms have been established to perform automated comparisons of personnel demobilization records and the Defense Joint Military Pay System - Reserve Component (DJMS-RC) to identify any demobilizing soldiers whose tours in the pay system were not adjusted to coincide with the demobilization date.

RECOMMENDATION 4: The GAO recommended that the Secretary of Defense direct the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller), to clarify the policies and procedures for how to properly amend active duty orders, including medical extensions. (p. 75/Draft Report)

DoD RESPONSE: Concur. For medical extensions, the Army published revised guidance on June 10, 2003, reinforcing procedures on this process. Included were the requirements for publishing orders prior to the end date of the current active duty tour. Concerning the specific case in Colorado cited by the GAO, DFAS and the Army have implemented changes to the input systems to warn the operator processing a tour cancellation when the correct input should be a tour curtailment. Action is complete.

RECOMMENDATION 5: The GAO recommended that the Secretary of Defense direct the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller), to require Army Guard commands and unit commanders to carry out complete monthly pay and personnel records reconciliations and take necessary actions to correct any pay and personnel record mismatches found each month. (p. 75/Draft Report)

DoD RESPONSE: Concur. Within 60 days, the Army will reinforce to all reserve commands the importance of this requirement. As noted by the GAO, this requirement is already included in US Army Forces Command Regulation 500-3-3, Unit Commander's Handbook.

RECOMMENDATION 6: The GAO recommended that the Secretary of Defense direct the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller), to update policies and procedures to reflect current legal and DoD administrative requirements with

respect to active duty pays and allowances and transaction processing requirements for mobilized Army Guard soldiers. (p. 75/Draft Report)

DoD RESPONSE: Concur. In Fiscal Year 2004, DFAS, the Army, and National Guard will respectively update the cited regulations under their cognizance to the most current and accurate requirements.

RECOMMENDATION 7: The GAO recommended that the Secretary of Defense direct the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller), to consider expanding the scope of the existing memorandum of understanding between DFAS and the Army concerning the provisions of resources to support surge processing at mobilization and demobilization sites to include providing additional resources to support surge processing for pay start and stop transactions requirements at Army Guard home stations during initial soldier readiness programs. (p. 75/Draft Report)

DoD RESPONSE: Concur. The Army will work with the National Guard on resourcing the USPFOs for mobilization/demobilization surges. However, the memorandum of understanding between DFAS and the Army pertains only to the management and resourcing of Defense Military Pay Offices, to include their role in support of mobilization/ demobilization stations. As such, it is not the appropriate vehicle to address staffing of USPFO under the National Guard.

RECOMMENDATION 8: The GAO recommended that the Secretary of Defense direct the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller), to determine whether issues concerning resource allocations for the military pay operations identified at our case study units exist at all 54 USPFOs, and, if so, take appropriate actions to address these issues. (p. 76/Draft Report)

DoD RESPONSE: Concur. To support surge requirements, the National Guard could use additional National Guard soldiers being brought on active duty in a Temporary Tour of Active Duty status to augment the USPFO staff based on mobilization workload requirements. The additional requirement and funding will need to be addressed by the supplemental provided to Army. Normal manning at the USPFO, Military Pay Section is based on Full Time Support authorized state strength levels.

RECOMMENDATION 9: The GAO recommended that the Secretary of Defense direct the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller), to determine whether concerns over relatively low graded military pay technicians identified at our case study units exist at all 54 USPFOs, and, if so, take appropriate actions to address these issues. (p. 76/Draft Report)

DoD RESPONSE: Concur. Higher grades would provide a more stable and experienced workforce at the USPFO. However, grade structure is established based on guidance from the Office of Personnel Management (OPM). The National Guard recently completed a review of

grade levels in the USPFOs' Comptroller sections and the current grade levels for military pay technicians were validated as correct under OPM standards. Action is complete.

RECOMMENDATION 10: The GAO recommended that the Secretary of Defense direct the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller), to modify existing training policies and procedures to require all USPFO and active Army pay and or finance personnel responsible for entering pay transactions for mobilized Army Guard soldiers to receive appropriate training upon assuming such duties. (p. 76/Draft Report)

DoD RESPONSE: Concur. The National Guard has instituted mobilization specific training for pay technicians. The National Guard Financial Services Center quality assurance program is currently used to monitor completion of JUMPS Standard Terminal Input System (JUSTIS) training for USPFO military pay technicians. The US Army Reserve Command (USARC) has expanded training programs on DJMS-RC to help support the immediate training needs of deploying units and mobilization/demobilization stations. Over 35 training events have occurred since February 2002 in support of deploying units and mobilization/demobilization sites. The Army finance school is working with USARC to develop an exportable training package on DJMS-RC, which should be available within the next 6 months. Additionally, DFAS and the Army are sending a joint training team to Kuwait and Iraq in November 2003 to specifically address reserve component support. For the midterm (6 months to 2 years), the training on reserve component pay input for soldiers in finance battalions and garrison support units will be evaluated to determine how best to expand the training within the Army total training infrastructure, particularly in light of the planned integration of reserve and active component pay processing into a single system. The Army finance school is already evaluating the expansion of the current instruction on mobilized reserve component pay in the training curriculum for the finance advanced individual training course.

RECOMMENDATION 11: The GAO recommended that the Secretary of Defense direct the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller), to require unit commanders to receive training on the importance of adhering to requirements to conduct annual pay support documentation reviews and carry out monthly reconciliations. (p. 76/Draft Report)

DoD RESPONSE: Concur. The importance of conducting annual pay support documentation reviews and monthly reconciliations will be incorporated into precommand courses at the company level for the National Guard by the end of Fiscal Year 2004.

RECOMMENDATION 12: The GAO recommended that the Secretary of Defense direct the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller), to establish an ongoing mechanism to monitor the quality and completion of training for both pay and finance personnel and unit commanders. (p. 76/Draft Report)

DoD RESPONSE: Concur. The National Guard currently reviews the training status of military pay technicians at the USPFOs as part of the ongoing quality assurance review program.

The appropriate mechanism for monitoring the training of unit commanders and finance battalion personnel is dependent on the location of that training in the overall Army training infrastructure (i.e. unit training is assessed as part of the annual External Evaluation-ExEval) and, as such will be considered as part of the overall evaluation of the reserve pay training addressed in response to recommendation 10.

RECOMMENDATION 13: The GAO recommended that the Secretary of Defense direct the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller), to identify and evaluate options for improving customer service provided to mobilized Army Guard soldiers by providing improved procedures for informing soldiers of their pay and allowance entitlements throughout their active duty mobilization. (p. 76/Draft Report)

DoD RESPONSE: Concur. Within the next 30 days, the Army will prepare a standard information flyer to be given to all mobilizing reservists. The flyer will address entitlements as well as sources of pay support. The flyer will be published via Army Knowledge Online and incorporated into the overall revision to procedural guidance addressed in response to recommendation one.

RECOMMENDATION 14: The GAO recommended that the Secretary of Defense direct the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller), to identify and evaluate options for improving customer service provided to mobilized Army Guard soldiers with respect to providing a single, well-advertised, source for soldiers and their families to access for customer service for any pay problems. (p. 77/Draft Report)

DoD RESPONSE: Concur. The existing centralized information sources on individual soldiers pay will be expanded. Specifically, DFAS will continue to add functionality to myPay for input of discretionary actions. Additionally, DFAS is developing a separate view-only Personal Identification Number capability which soldiers will be able to give their dependents so they can see the Leave and Earning Statement without being able to change anything on the pay record. This enhancement is scheduled for August 2004. The DFAS also operates a central customer service center for pay inquiries for all Services. The toll free number for this center as well as the myPay internet address will be incorporated in the flyer discussed in response to recommendation 13 as well as continue being advertised in locations such as Army Knowledge Online. Until the implementation of DIMHRS, with full integration of pay and personnel, the processing of pay transactions will still require the movement of some entitlement information/authorization from units and personnel to finance via paper. As such, a network of finance support activities is required to geographically align with deployed combat and supporting personnel units. As always, pay remains essentially a command responsibility. For the individual soldier, the single source of pay support is his or her unit, which in-turn interfaces with the appropriate finance and personnel activities. For dependents of deployed soldiers, the single source for finance, or any administrative issues, is either the rear detachment of the soldiers' deployed unit or, for the National Guard, the applicable State Family Assistance Coordinator.

RECOMMENDATION 15: The GAO recommended that the Secretary of Defense direct the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller), to review the pay problems we identified at our six case study units to identify and resolve any outstanding pay issues for the affected soldiers. (p. 77/Draft Report)

DoD RESPONSE: Concur. The National Guard Financial Services Center is working with each of the identified units and supporting USPFs to ensure all pay issues are resolved. The Army and DFAS will continue to work the correction of any specific cases identified as still open for these units. As noted by the GAO, many of the cases identified have already been resolved or involved a delay in payment over 30 days from entitlement rather than an actual unresolved discrepancy.

RECOMMENDATION 16: The GAO recommended that the Secretary of Defense direct the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller), to evaluate the feasibility of using the personnel-to-pay interface as a means to proactively alert pay personnel of actions needed to start entitled active duty pays and allowances. (p. 77/Draft Report)

DoD RESPONSE: Concur. Within the next 6 months, we will evaluate the feasibility of using the personnel-to-pay interface as a means to proactively alert pay personnel of actions needed to start entitled active duty pays and allowances.

RECOMMENDATION 17: The GAO recommended that the Secretary of Defense direct the Director of the Defense Finance and Accounting Service, in conjunction with the Under Secretary of Defense (Comptroller), to evaluate the feasibility of automating some or all of the current manual monthly pays, including special duty assignment pay, foreign language proficiency pay, hardship duty pay and high altitude, low opening jump pay. (p. 77/Draft Report)

DoD RESPONSE: Concur. Programming changes to DJMS-RC have been implemented to enhance the processes for special duty assignment pay and foreign language proficiency pay. However, monthly input is still required. Hardship duty pay is scheduled for implementation for April 2004. High altitude, low opening jump pay requires manual computation and input of a transaction for payment. The small volume of members entitled to this pay has not justified nor provided an adequate return on investment for this automation. DFAS has recognized the urgency of improving the military pay system capabilities supporting our Service members. A study was conducted of improvement alternatives in the fall of 2002, which concluded that a new commercial off the shelf based payroll capability ("Forward Compatible Payroll" (FCP)) was the best option to expeditiously improve our system payroll services. FCP is currently prototyping military entitlements and deductions and has already demonstrated that DJMS RC's current monthly manual pays can be automated rapidly in the new commercial off the shelf based environment.

RECOMMENDATION 18: The GAO recommended that the Secretary of Defense direct the Director of the Defense Finance and Accounting Service, in conjunction with the Under Secretary of Defense (Comptroller), to evaluate the feasibility of eliminating the use of the “other credits” for processing Hardship Duty (Designated Areas); high altitude, low opening jump pay; and special duty assignment pay, and instead establishing a separate component of pay for each type of pay. (p. 77/Draft Report)

DoD RESPONSE: Concur. Hardship duty pay is scheduled for automation in April 2004. We will also recommend inclusion of automation of high altitude, low opening jump pay in FCP. We acknowledge that the information available to the member is inadequate in today’s system. This has already been addressed in the FCP requirements. Each pay is designed to provide fully automated computation capability for active, Reserve/Guard and detailed leave and earnings statement reporting to the Service member through myPay. FCP will use legacy military pers/pay data feeds to create a single military pay record for each Service member supporting all Service component affiliations and duty statuses. FCP will resolve pay systems capability related problems described in this report. Until such time FCP has been implemented, we will ensure that these certain pays paid under “other credits” are included in the flyer addressed in response to recommendation 13. In addition, DFAS will update the DFAS Reserve Component Mobilization Procedures to mandate a remark be entered on the service member’s leave and earnings statement for pays paid under “other credits” to inform the service member exactly what entitlement(s) they have paid.

RECOMMENDATION 19: The GAO recommended that the Secretary of Defense direct the Secretary of the Army, in conjunction with the Under Secretary of Defense (Comptroller), to evaluate the feasibility of using the JUSTIS warning screen to help eliminate inadvertent omissions of required monthly manual pay inputs. (p. 78/Draft Report)

DoD RESPONSE: Concur. The National Guard will develop a JUSTIS table identifying all applicable soldiers in order to notify the USPFO technician of accounts requiring monthly entitlement input. This will be more efficient and effective than a pop-up warning screen, which would appear only if the individual soldier’s social security number were input.

RECOMMENDATION 20: The GAO recommended that the Secretary of Defense direct the Director of the Defense Finance and Accounting Service, in conjunction with the Under Secretary of Defense (Comptroller), to evaluate the feasibility of redesigning leave and earnings statement to provide soldiers with a clear explanation of all pay and allowances received so that they can readily determine if they received all and only entitled pays. (p. 78/Draft Report)

DoD RESPONSE: Concur: We agree with the intent of this finding to provide a full explanation to service members for changes occurring on their leave and earnings statement. The DFAS is taking steps to improve the readability and meaningfulness of notices and information on the leave and earnings statement. Changes to the software used by the input systems (Defense MilPay Office and JUSTIS) utilized by the Army, Army National Guard, and DFAS, will require a remark be inserted on the leave and earnings statement whenever a manual payment or debt is made. Additionally, we will make every effort to better educate Service members on

understanding their leave and earnings statement by reviewing and updating (as necessary) the information provided on our website(s); by providing independent leave and earnings statement remarks for present and future changes; continuing to provide the USPFOs and Reserve Component Pay Support Offices with monthly newsletters; and effective immediately, provide the finance battalions/Defense Military Pay Offices with the National Guard newsletter.

For the future, FCP is being designed with an easily understandable leave and earnings statement as one of the main requirements. Each pay is designed to provide fully automated computation capability for active, Reserve/Guard and detailed leave and earnings statement reporting through myPay. FCP will use legacy military pers/pay data feeds to create a single military pay record for each Service member supporting all Service component affiliations and duty statuses. FCP will also resolve pay systems capability related problems described in this report.

RECOMMENDATION 21: The GAO recommended that the Secretary of Defense direct the Director of the Defense Finance and Accounting Service, in conjunction with the Under Secretary of Defense (Comptroller), to evaluate the feasibility of establishing an edit check and requiring approval before processing any debt assessments above a specified dollar amount. (p. 78/Draft Report)

DoD RESPONSE: Concur. The DFAS has already updated its current input system (Defense MilPay Office) to provide a warning to field finance personnel concerning the debt impact of tour cancellation (vice modification) for Reserve/Guard members. DJMS-RC would require a small to medium system change to edit debts that exceeded an established threshold or required approval. Secondary manual processing would be required to start the collection process or delete the debts.

RECOMMENDATION 22: The GAO recommended that the Secretary of Defense direct the Director of the Defense Finance and Accounting Service, in conjunction with the Under Secretary of Defense (Comptroller), as part of the current effort underway to reform DoD's pay and personnel systems-referred to as DIMHRS - incorporate a complete understanding of the Army Guard pay problems as documented in this report into the requirements development for this system. (p. 78/Draft Report)

DoD RESPONSE: Concur. The DFAS has provided detailed military pay requirements input to the DIMHRS Program that support fully automated computation of all military pay entitlements and deductions. The DIMHRS system military pay requirements submitted by DFAS would resolve system related pay problems as described in this report. DIMHRS is envisioned to create a single military personnel/pay record for each Service member supporting all Service component affiliations and duty statuses.

RECOMMENDATION 23: The GAO recommended that the Secretary of Defense direct the Director of the Defense Finance and Accounting Service, in conjunction with the Under Secretary of Defense (Comptroller), to consider complete reengineering of the processes and controls and ensure that this reengineering effort deals not only with the systems aspect of the

problems identified, but also with the human capital and process aspects when developing DIMHRS. (p. 78/Draft Report)

DoD RESPONSE: Concur. The DFAS and Army have been actively involved in recommending an improved operational military pers/pay concept in the DIMHRS environment. Procedural changes are clearly required to capitalize on the opportunities afforded by a modern fully integrated personnel and pay system including improvements in process cycle time, customer service, and accountability. The DFAS is working with the Army DIMHRS Office to document existing workflow and roles and responsibilities. The DIMHRS Program is still in the very early stages of determining when and how integrated processes and workflows will be incorporated into the DIMHRS based operational concept. The DIMHRS "Joint Service Functional Concept of Operations," dated July 15, 2003, page 14, indicates that the current plan is to "...initially mirror the existing 'As-Is' structure until the new capability has been fielded and risk factors/ requirements have been clearly identified. A determination of what additional skills and expertise are required for operators of a knowledge-based personnel community must be made after the capabilities of the commercial off the shelf product are fully known."

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